

PRICE: ONE SHILLING

VOL. LI (Vol. 2 New Series) No. 565

Northwestern University

OCT 1 1940

The Joseph Scherer
Library of Business

ACCOUNTANCY



THE JOURNAL
OF
INCORPORATED ACCOUNTANTS

(Established 1889)

SEPTEMBER, 1940

"HOLLERITH" *Secret Service*

IN every important industrial and commercial centre throughout the country there is a "Hollerith" Service Bureau. At each of these Bureaux, work of the utmost importance—to large industrial concerns, municipalities, to the Government itself—is carried out in the strictest confidence.

We cannot tell you what the "Hollerith" Service Bureau is doing for the various Government Departments, nor would you wish us to do so.

Neither do we in any circumstances disclose what we do for municipal and industrial clients. We ourselves do not need to know the implication of the figures we prepare.

There are broadly two kinds of undertaking to which the Service Bureau appeals . . . the firm, not quite large enough to absorb the whole time of a complete set of machines, who would yet like to take advantage of the speed and flexibility of punched-card accounting, and the valued client, already possessed of this most modern aid to efficiency, who requires periodical additional assistance or is faced by an unexpected emergency.

If you fall within either of these categories let us send along an experienced investigator to explain how much we can do and at how small a cost.

The variety of work handled by the "Hollerith" Bureaux is made possible only by the unique flexibility of the "Hollerith" Tabulator. For example—

MUNICIPAL COSTS.
PAY ROLLS.
GOVERNMENT STATISTICS.
INDUSTRIAL ACCOUNTS.
DIVIDEND WARRANTS.
MARKET RESEARCH DATA.
MANAGEMENT CONTROL FIGURES.
STOCK-TAKING INVENTORIES.
INVOICES AND STATEMENTS.
ANALYSES OF ORDERS AND SALES, ETC.

To any executive or accountant in need of temporary assistance by reason of
STAFF DEPLETION.
MINISTERIAL DEMANDS.
ACCESSION OF WAR WORK.
ENEMY DAMAGE TO PREMISES.
the Service Bureau offers speedy and unfailing relief.

In order to ensure continuity of service whatever happens we have opened duplicate establishments in rural areas in the West, North-West and Midlands. There are now, in all, sixteen widely dispersed Service Bureaux, all completely equipped and staffed, at each of which can be undertaken any kind of accounting or statistical work.

Write in the first instance to Head Office—

THE BRITISH TABULATING MACHINE CO. LTD - VICTORIA HOUSE - SOUTHAMPTON ROW - LONDON - WC1

ACCOUNTANCY

Published by
The Society of Incorporated Accountants and Auditors
Incorporated Accountants' Hall
Victoria Embankment
London, W.C.2

President: PERCY TOOTHILL, F.S.A.A.

Vice-President: RICHARD A. WITTY, F.S.A.A.

Secretary: A. A. GARRETT, M.B.E., M.A.

Deputy Secretary: LEO T. LITTLE, B.Sc.

VOL. LI. (Vol. 2 New Series)

SEPTEMBER, 1940

Number 565

CONTENTS

	PAGE		PAGE		PAGE
PROFESSIONAL NOTES		TAXATION		LIMITATION OF SUPPLIES (SHIPS AND HOSPITALS) ORDER, 1940	323
Canadian Accountants' Magnificent Offer	307	Keeping Pace	314	BOOKS RECEIVED	323
Encouraging Exports	307	E.P.T.—Approximations	314	FINANCE	
Advances Against Enemy Debts	308	E.P.T.—Accruing Liabilities	314	The Month in the City	324
Registration for Purchase Tax	308	E.P.T.—Non-recurring Profits... ..	314	Points from Published Accounts	325
Higher Workmen's Compensation Benefits	308	Income Tax — Deduction at Source	314	LETTERS TO THE EDITOR	326
The Index to ACCOUNTANCY	308	Stock Valuations	314	IN PARLIAMENT	326
Shorter Notes	308	LIMITATION OF SUPPLIES (MISCELLANEOUS) ORDER, 1940	315	MINERS' INCOME TAX CLAIMS	326
EDITORIAL		Life Assurance: War Risk Premiums	315	PAYMENTS ON ACCOUNT OF TAXATION LIABILITIES	327
The Public and the War	309	"Moneys Not Required"	315	SOCIETY OF INCORPORATED ACCOUNTANTS	
LEADING ARTICLES		Amounts Due to Directors	315	Examinations	327
The Accountant and the Purchase Tax	310	Recent Tax Cases	316	District Societies	327
Investment and the War	311	Income Tax, 1940-41: Inland Revenue Notice	318	Forthcoming Events	328
Income Tax and Non-Residence	312	THE EMERGENCY ACTS AND ORDERS	320	Personal Notes	328
		LEGAL NOTES	322	Removals	328
				Obituary	328

PROFESSIONAL NOTES

Canadian Accountants' Magnificent Offer

The solidarity uniting the Canadian and British peoples and the close ties existing between the accountancy bodies in the two countries received a striking demonstration during August, when Canadian members of the Dominion Association of Chartered Accountants cabled an offer to take about fifty children of British Chartered and Incorporated Accountants under the evacuation plan. The British public are well aware of the manifold directions in which Canada as a whole is assisting the war effort. This offer of Canadian Chartered Accountants is a magnificent contribution to the work in which many sections of Canadians are playing a great part—the provision of safe refuge to young evacuees from the war zone. Incorporated Accountants have for long enjoyed and valued the friendship of the Dominion Association, and will be deeply appreciative of this offer. Members of the Institute of Chartered Accountants in England and Wales, Scottish Chartered Accountants and the members of the Society of Incorporated Accountants, who may wish to take advantage of the offer are asked to write to the Secretary of the Institute of Chartered Accountants, Moorgate Place, London, E.C.2.

Encouraging Exports

Another measure taken for the stimulation of exports—a vital part of the war struggle—is the wider cover given to British exporters by the Export Credits Guarantee Department. The Department

has introduced the "pre-shipment policy" which secures an exporter against the risk of loss if the overseas customer is in good faith unable to accept delivery of goods for reasons beyond his control. The insurance cover afforded by the Department in pre-war days against the risk of the overseas importer's insolvency was itself most valuable, and since the war the Department has further assumed the risk that an importer will be unable, as a result of the war, to transfer money from abroad in payment. Thus the advent of the "pre-shipment policy" meant that an exporter could be covered against the main risks (apart from those normally covered by the insurance market) to which he is exposed in war-time. Some gaps in the cover, however, remained and these the Department seems determined to close. It will now issue a "c.i.f. policy" and a "war emergency policy." The first gives protection against the risk that an exporter may have to pay more for insurance and freight than the amounts included in a c.i.f. quotation given to an overseas customer, for in present conditions shipping or insurance rates may well increase after the quotation has been given and the goods shipped. The war emergency policy will combine in a single policy the solvency, transfer and pre-shipment covers and will also give protection against some other risks such as perils on trans-shipment and frustrated voyages. In war-time, more than in peace, exporters would be well advised to communicate with the Department with a view to insuring their export business.

Advances Against Enemy Debts

Traders who have debts outstanding from enemy and enemy-occupied countries, and who are consequently handicapped in developing their exports in other directions, will be interested to learn that a Board of Trade Committee has been appointed to give assistance in cases of this sort. Where the non-payment of the amounts due can be shown to be prejudicing the export trade, as much as 50 per cent. of the outstanding amount may be advanced on the security of the debts. The Committee, in consultation with the President of the Board of Trade, will recommend what amount is to be advanced. Sir Nigel Campbell has been appointed chairman of the Committee and Mr. Henry Morgan, F.S.A.A., Mr. F. R. M. de Paula, O.B.E., F.C.A., and Mr. G. W. Thomson are members. Any advance made from public funds will be subject to repayment at a date to be recommended by the Committee; this will in no case be later than six months after the end of the war. Interest will be payable upon the advance. The register of debts due from enemies, which is compiled by the Board of Trade, will be referred to by the Committee and any trader who has not already done so should register any such debts forthwith. Registration forms may be obtained from the Secretary to the Committee, who will also supply the necessary forms of application for advances. His address is the Enemy Trade Debts Committee, Romney House East, Tufton Street, London, S.W.1.

Registration for Purchase Tax

Manufacturers of goods subject to the purchase tax, and wholesale dealers in such goods, must register as early as possible. Failure to register before the prescribed date, which will be announced shortly, will lay a firm open to a penalty of £100 and £10 for each day during which the failure to register continues. The tax is a consumer's tax levied at the wholesale-retail stage. Thus a registered firm will buy tax free where goods are bought either as materials for manufacture or as stock for wholesale trade (though not where goods are bought for consumption). If a firm has not registered, therefore, not only will it be liable to the penalties prescribed, but also it will be unable to obtain goods tax-free. For the present, however, registration is not required if gross takings from sales of taxed goods do not, on the average, exceed £2,000 a year, though this figure may be altered at any time by Treasury Order. The form of registration must have a sheet of the firm's business letter paper attached to it, and must be sent to the Customs and Excise Officer in whose station the firm's principal address is situated. The address of the appropriate officer may usually be obtained at the nearest Post Office. A list of chargeable goods and other information regarding the tax, contained in Notice No. 74, is to be had from any Customs and Excise office, or from the Secretaries' Office, Custom House, E.C.3.

Higher Workmen's Compensation Benefits

A recent Act provides that workmen entitled to compensation for accidents occurring since the

beginning of 1924 shall receive increased benefits, limited to 5s. per week in cases of total disability. Both single and married men and women receive the increased benefits and higher allowances are also given for children. The more liberal scale of compensation has necessitated an increase in the premiums charged by the insurance companies. The tariff companies—those which are members of the Accident Offices Association—have raised their rates by 10 per cent., but some non-tariff companies have added as much as 25 per cent. to pre-war premiums. Apart from the enlarged benefits enforced by the Act it is to be expected that industrial accidents will increase, for "accident proneness" is bound to be more evident in war-time and more major accidents, as well as small mishaps, are inseparable from the greater intensity of war production. It is essential, nevertheless, that accidents should be kept to a minimum, and, for this reason as well as the health of industrial workers, a closer return to the provisions of the Factories Acts is desirable, especially since, after two or three months of very intensive effort, production can only be decreased, rather than increased, by very long hours and greatly relaxed standards.

The Index to "Accountancy"

This issue of ACCOUNTANCY completes a volume—the second since the name was changed from *The Incorporated Accountant's Journal*, the fifty-first since the publication first appeared. Normally an index to the issues of the year October, 1939, to September, 1940, would have been distributed with every copy of the issue for October, 1940. In order to economise precious paper supplies, however, it has been decided not to follow this course next month. Instead, the index will be available for all who apply for it. This will enable us to produce the index in as complete a form as is customary. All who propose binding their copies of ACCOUNTANCY should see that a copy of the index is obtained. If arrangements for binding are made through T. Whittingham & Co., Ltd., the printers of ACCOUNTANCY (an announcement regarding arrangements made with this company will be given in the next issue), the index will be supplied and bound in with readers' copies of the Journal without their having to make any special mention of the point. Readers who require a copy of the index to be sent to them, however, should communicate with the Editor of ACCOUNTANCY at Incorporated Accountants' Hall.

SHORTER NOTES

The rate of premium payable under the war risks scheme for commodities is at the rate of 5s. per cent. per month for the period September 3, 1940, to December 2, 1940, as since December 3, 1939. It is announced that when the purchase tax comes into operation, retailers and distributors must increase the amount of their insurances by the amount of the tax paid by them to wholesalers.

It is to be provided in next year's Finance Bill that gifts to the Government for war purposes shall not be aggregable with other property of the deceased donor, though made less than twelve months before the death.

ACCOUNTANCY

Formerly the Incorporated Accountants' Journal
Established 1889

The Annual Subscription to ACCOUNTANCY is 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. od., postage extra.

All communications to be addressed to the Editor, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2

THE PUBLIC AND THE WAR

It has always been a British characteristic to wage war by voluntary effort. The method has been effective enough, as the annals of British history show. But it would be a mistake to imagine that even centuries of precedents can determine the way in which the present conflict should be fought. We are now in an entirely new phase of history and we are forced to revolutionise our ideas under many heads. The voluntary system cannot, unfortunately, be an exception; it, too, must be foregone, wherever sacrifice seems necessary in the interests of our war effort. Indeed, it has already receded far into the background in many branches of our national life. There is, for example, the notable case of the Armed Forces. Instead of waiting until almost three years of war have passed, as we did during the first Great War, we introduced compulsory military service before this war began, though, as many hold, long after we should have done so. And on the financial side the steep and rapid rise in taxation has necessarily indicated a diminishing reliance upon a purely voluntary financing of the war. Nevertheless, it is in this particular connection, more than any other, that a further move away from the voluntary effort appears to be most likely. It must, however, be made plain at the outset that only the highest praise is due, not only to those who are conducting the national savings scheme, which is the main motive power behind the voluntary method of war finance, but also to the people of Great Britain, who have responded magnificently to the call for national savings. Nor are savings alone a sufficient indication of the effort which the British people are voluntarily making in order to pay for the war. The spontaneous creation of funds in all parts of the country for the purchase of aircraft, the large amounts which are being received by the Minister of Aircraft Production every day from these "Spitfire" and "Bomber" funds, are a clear indication that the public are willing, even eager, to bear financial sacrifices even greater than are entailed by a subscription to national savings.

The scale of the total effort required is, nevertheless, far too large for it to be fully appreciated, let alone achieved, by the public without very far-reaching action from above. The deficit to be met this fiscal year will be at least £2,200 million. Whatever the response to the continued appeal for voluntary effort, it is plain that this deficit cannot be met without further encroaching upon the voluntary system itself. It is convenient to state the problem in monetary terms, as we have stated it. As

accountants well know, unless it is put in this way, the problem will entirely cease to be manageable. But the veil of money hides a multitude of difficulties. We have not merely to meet a deficit, by some means or other, of £2,200 million, but we have to ensure that adequate supplies of materials and labour are forthcoming for the money, when raised, to be translated into terms of instruments and munitions of war.

It is here that the inroads into voluntary systems will necessarily become more marked. If materials, the supply of which is essentially limited having regard to difficulties of importation, are to be used in war production, they cannot also be used to provide consumption goods for the people. If labour is to be drafted into war industries, it cannot be employed in making goods which play no part in those industries. The first essential is that public demand for consumption shall fall off drastically, and for this to happen, at a time when in many directions incomes are increasing, it is obvious that Government action is inevitable. Already rationing of a number of consumption goods, the purchase tax and the limitation of supplies orders have done much towards this end. But even these measures go hardly far enough. They leave too large a margin of expenditure upon consumption. They leave too many luxuries and semi-luxuries. They allow too many non-essential industries to continue in production and, even, to prosper. The gap, therefore, must be closed further. To some extent, no doubt, this can be done by an extension of the three methods already mentioned. But the necessary restrictions upon consumption are so far-reaching that other means must also be employed.

Further taxation of incomes is one such method; but it has already reached so high a level that it is doubtful whether a simple increase in existing taxes would produce the desired effect without so diminishing the incentive to produce that the effect would be nullified. Since the object is to reduce consumption, one equitable and effective means would seem to be to tax war-time increases in income of individuals, just as similar increases in the profits of companies are taxed by the E.P.T. The idea of such a tax on excess income is receiving increased attention in many circles, and if such a tax could be devised without multiplying difficulties of administration, it would probably go a long way to meet the situation. Alternatively, or in combination with some excess income tax, it has been suggested that methods might be devised whereby only a given portion of income could be spent upon consumption goods. This suggestion has the great advantage that it preserves a large part of the freedom of choice which for so long has been the prerogative of the British public. It would allow people to spend the admitted margin of their income upon such goods as they wished, only the size of the margin itself being determined by authority. If the nation persists in its refusal to accept Mr. Keynes's scheme of compulsory savings, it appears that we shall soon have reached the stage at which the adoption of one of these methods, or some variant or combination of them, will be unavoidable. Fortunately, we may rest assured that the Treasury is alive to the possibility of such devices and is duly considering them.

The Accountant and the Purchase Tax

The Purchase Tax is not the least of the many new problems with which war has presented the accountant. Admittedly it will not be known exactly how the tax is to be managed until the Regulations are issued by the Commissioners of Customs and Excise, but it is opportune to consider some of the questions which will arise and the effect on clients' accounts.

According to the Finance (No. 2) Act, the tax is to be charged on the "wholesale value" of chargeable goods—that is, on the price which, in the opinion of the Commissioners, the goods would fetch (ignoring the tax) on an open market sale in the United Kingdom by a wholesaler to a retailer. The sale price is to be on the assumption (*inter alia*) that commission and delivery expenses are payable by the seller, who is accountable for the tax. The tax becomes due on delivery of the goods, or in the case of an importer's purchase, on the goods being entered for home use.

In the first place, clients will have to be advised whether or not they have to register. Every wholesale merchant or manufacturer whose business includes the selling of any chargeable goods (as listed in the Seventh Schedule) must register unless his gross takings from his sales of chargeable goods (excluding retail sales of goods not made by him) have not averaged over £2,000 per annum, or, in the case of a business recently commenced, are not likely to do so. A manufacturer must also register if he satisfies the Commissioners that he uses chargeable goods in substantial quantities as materials. Any person who has not previously registered must do so on becoming aware or having reasonable cause for believing that such a change has occurred in his business that his turnover in chargeable goods will be over £2,000 per annum. The accountant will therefore have to make himself acquainted with the Seventh Schedule and, in many businesses, in order to strike the average, will have to see that a detailed analysis is made of the sales for recent years.

Immediately there arises the further task of valuing the chargeable goods as the Act requires. In most cases the value will be the selling price, but there will be instances, particularly in the case of sales to associated concerns, where the invoice price will not apply. Thus it will be necessary to record the market as distinct from the invoice value in appropriate cases. Sales must also be analysed to segregate chargeable goods from non-chargeable; goods sold to a registered wholesale merchant as stock for his business or to a registered manufacturer as materials are not taxed. When a registered wholesale merchant or manufacturer appropriates or applies chargeable goods either acquired as stock or as materials, or made by him or which are the result of a process applied by him, to the purposes of a retail side of his business, or for hiring out, etc., the tax will become payable. Records must therefore be kept of any such appropriations, etc., again showing the wholesale market value; the Commissioners are to direct the records to be kept.

The seller is required to state separately on the

invoice the part of the purchase price which he has charged by reference to tax for which he is accountable in respect of the purchase. It is suggested that, in these days of paper shortage, a rubber stamp on existing invoice forms will have to suffice until new invoices become necessary.

One delicate problem which will not be easy to resolve is produced by the provision that chargeable goods, delivered or appropriated between July 2, 1940, and the date when the tax comes into operation, will have to be scrutinised, since, if such deliveries, etc., are on a scale or in a manner not in accordance with the ordinary practice of the business, the Commissioners may direct tax to be charged on such goods. Disputes will inevitably arise here.

Those with experience of the Entertainments Duty will expect the Commissioners to apply similar principles in framing the Regulations; if they do so, the returns of chargeable purchases (which are in fact the sales of the person accountable) will have to be certified, and the tax paid at stated intervals, apparently quarterly. (The Chancellor hopes to bring the tax into operation at the beginning of October and to make a collection at the end of the calendar year, when many accounts are made up, a further collection being made by the end of the financial year.) This will mean a continuous detailed audit of sales and a scrutiny of prices on invoices such as has not formerly been necessary. Adjustments for delivery charges will be required in "at works" quotations.

In the simplest accounting systems, analysis columns in the sales day book will have to show: (a) non-chargeable goods, (b) chargeable goods, (c) purchases tax. If a day book is not kept, then the sales summary must be similarly analysed. Transfers of stock for sale by retail can best be dealt with in a transfer journal, which will, where applicable, have an additional (memorandum) column for showing the chargeable price as distinct from the price used for internal accounting. Further, if the business deals with goods chargeable at the full rate and those chargeable at half-rate, an additional analysis will be required.

Similar provision is necessary for recording returns and allowances, credits of tax wrongly charged, tax on bad debts, and adjustment of odd pennies. A separate account will, of course, be maintained for the tax, as this is a liability until paid. In no circumstances should the tax be included in the sales credited to trading account; false comparisons would result. Similarly, in analysing figures for departmental accounting, the tax must be excluded from sales.

Goods transferred to the retail or hiring side of the business should be controlled by a requisition system, where the costing records do not already provide the necessary check. Even then, the taxable value will rarely correspond with the value usually employed internally. It is not unlikely that numerous differences of view regarding valuation will have to be referred to the Referee. It is not always easy to ascertain what the price would be if it be assumed

that the buyer is not the patentee or proprietor of the design—when, in fact, he is! It is probable that the accountant will find himself called upon to

examine costing records with a view to appearing as an expert witness where a market value cannot be agreed.

Investment and the War

[Contributed]

The two Budgets of 1940 have been attacked on the ground that they were not sufficiently severe. There is a large element of truth in the criticism. Yet in spite of the call for further exertion allround, the contributions which have already been made towards the strengthening of Britain's war finance must be acknowledged. The investing public has certainly played an important part, even if it must now redouble its efforts.

After a year of war investment portfolios of fixed-interest stocks are on average about $6\frac{1}{2}$ per cent. higher in value, but ordinary shareholdings have fallen by some $18\frac{1}{2}$ per cent. These movements are an indication of investment experience during the past twelve months. The gilt-edged market and, therefore, fixed interest stocks in general, has been brought under complete official control. In the face of the desolation of Europe and the ravaging of France, $3\frac{1}{2}$ per cent. War Loan stands at 101, compared with $90\frac{1}{4}$ immediately before the war. The Government, which is at once the nation's chief spender and its main borrower, can arrange its borrowing, within limits, on its own terms.

The war of 1914-18 was known as a 5 per cent. war. This has been described as a 3 per cent. war. That was the rate at which the only open market War Loan of fixed amount was issued—in March last. At the same time, the authorities gave an indication of the structure of maximum interest rates which they intended should apply to Government loans during the war: 2 per cent. on five-year bonds, $2\frac{1}{2}$ per cent. to $2\frac{7}{8}$ per cent. on stocks with a life of five to 10 years, $3\frac{1}{8}$ to $3\frac{1}{4}$ per cent. on 15-20-year issues, and rather over $3\frac{1}{2}$ per cent. on the long-term or "irredeemable" issues. This levering down of interest rates represents the converse of rising gilt-edged prices.

The resulting problem for institutional investors, and for many private investors also, needs no emphasis, particularly now that the standard rate of income tax is 8s. 6d. in the £. Investment in gilt-edged involves a considerable sacrifice which is cheerfully borne. At the same time, the burden placed upon the holder of ordinary shares is heavy and complex. There were many who, at the outbreak of war, applied the classical arguments in favour of equity shares at a time of rising prices, and sought out possible "war hedges." Their efforts were in vain. There is no busier section of industry at present than aircraft manufacture. Yet the average return upon aircraft shares is in the region of 17 per cent. Admittedly, the aircraft industry is a special case, for it is vulnerable both to enemy attack and to the devastation of post-war slump. But the trend is shared by industrial shares in general. The twenty miscellaneous industrials included in the Actuaries' Investment Index (which

is based on December 31, 1928=100) shows a fall of 14 per cent. between August 29, 1939, and July 30, 1940, from 59.4 to 45.0. Over the same period, the average yield in this group of shares has risen from 4.97 per cent. to 7.10 per cent. The normal peacetime margin of, say, 2 per cent., between the average yield on gilt-edged securities and the best industrial shares has thus been perceptibly widened. There have been no profits in ordinary share dealings on the Stock Exchange for many months past.

This may at first sight seem surprising in view of repeated warnings that unless we make a sterner financial effort we shall be heading for inflation. Inflation is traditionally the signal for a movement out of fixed-interest securities into equities. But the equity market is now under a control almost as far-reaching as that under which the gilt-edged market operates, though much less direct. Profits are subject to 100 per cent. E.P.T. There is a moral obligation to limit dividends, to which the majority of companies are responding. If only in self-interest, they would have limited their distributions, even in the absence of official behest. The companies most intimately concerned in the production of war supplies are subject to close control of prices. Those in less essential trades find raw materials difficult to obtain. Many manufactures which normally find a profitable home market are being exported instead as a result of the Orders limiting supplies to retailers in this country. And, finally, the Purchase Tax must reduce production and profits.

So far as equity shareholders are concerned, therefore, the deficiencies of war finance have brought no benefits. Nor, indeed, are they likely to do so while the war lasts. It was not until hostilities had ceased in 1918 that the impetus behind ordinary share values reached its maximum. Hence, the equity investor's policy is to hold on to what is good in his portfolio, and to attempt to discover shares which will be proof against post-war disturbance. One industry, which is at present distinctly depressed, and whose services will certainly be in great demand after the war, is the building industry. And a large number of consumption goods shares at present under a cloud will doubtless emerge at the peace with vigorous powers of recovery.

But undoubtedly the main investment problem to-day is to reconcile personal needs with the nation's. The ultimate reconciliation is easy enough, for unless our war finances are adequate there will be little hope that the value of existing investments will be preserved. Two immediate courses suggest themselves. In the first place, good holdings need not, and should not, be disturbed. The holder of, say, 100 Courtaulds, might argue that his money would serve a more useful purpose if it were invested in $2\frac{1}{2}$ per cent. National War Bonds or some other

Government issue. But suppose he sells and re-invests his money in this way. He does not thereby make any new act of saving. The saving is done by the purchaser of the shares. And if the shares had not been sold, this purchaser would have had three alternatives: he could have increased consumption; he could have kept his money idle at the bank; or he could have subscribed directly, or indirectly, for one of the war loans. To increase consumption in war-time is directly counter to the national interest. If his money is kept at the bank untouched, the bank will, in effect, lend it to the Government on his behalf. But it is the third alternative which is the most important. We now have a closely controlled capital market and Stock Exchange. No borrower can raise new capital without the Government's approval. No resident can export his capital. It follows, therefore, that the main stream of funds awaiting new investment must enter the gilt-edged market and flow into the Government coffers.

The second course is to set aside in war loans the maximum proportion of current income. This applies not merely to the private investor but also to institutions. Institutional investors, however, are often in a position of trust towards their policyholders or shareholders, and some of them, it must be feared, are inclined to look askance at the return of 2½ per cent. which is offered by the National War Bonds.

Yet any selfish disregard of the financial necessities of war cannot be tolerated. Admittedly, many business firms do not yet know what their taxation liabilities may be next year and may therefore prefer to retain a rather larger cash balance than usual in order to cover their eventual taxes. Others might be readier to subscribe to the bonds if they were more marketable. These, however, are technical details, which do not affect the principle which is at stake. Before the war is over, the State may require three-fifths of the national income in order to wage hostilities. It will obtain that large proportion of the country's output because in the last resort it can be requisitioned. In order to effect the transfer of productive effort from the service of consumers to the service of the State, consumers will have to go without. Unless they are prepared to pay over in taxes and loans an equivalent part of their money incomes, the transfer may not be achieved without some measure of inflation. But it is a delusion to suppose that, in one way or another, it will not be achieved. It is another delusion to suppose that by the jealous hoarding of old investments and the selfish disposition of current income on the unworthy argument that "2½ per cent. is not enough" an individual investor can safeguard his assets. It profits a man nothing to lose both his soul and the whole world.

Income Tax and Non-Residence

The tax liability of persons not resident in this country or resident both here and abroad raises many points of practical interest. It should be remembered that our law maintains that a person may be resident in more than one place, and that it distinguishes according as a person is resident or ordinarily resident in the United Kingdom, or according as he is or is not domiciled here; or, again, according as he is a British subject or an alien.

The position is much simpler if the income arises in the United Kingdom than if it arises abroad. As a general rule, questions of residence, domicile, or nationality are immaterial when considering the tax liability in respect of United Kingdom income. As Lord Wrenbury pointed out in *Whitney v. Inland Revenue* (1926, A.C. at p. 56): "If a person is resident in the United Kingdom, his income from property whether in the United Kingdom or not is charged. If he is not resident in the United Kingdom his income from property in the United Kingdom is charged whether he is a British subject or not. . . . This is true of income tax and equally true of . . . sur-tax." And in that case it was held that a non-resident alien who derived an income from possessions in this country had been validly served with a notice sent by registered post requiring him to make a return, and that on his failure to do so, the assessment which had been made by the Commissioners to the best of their judgment had been rightly made.

There are certain exceptions. Thus, in the case of securities issued by the Treasury under Section 46

(1) of the Income Tax Act, 1918, ordinary residence is an important factor, for persons who are not ordinarily resident in the United Kingdom may be exempt from income tax or sur-tax in respect of the interest thereon. Again, under Section 46 (4) of the same Act, persons whether or not British subjects who are not domiciled in the United Kingdom and British subjects who are not ordinarily resident in the United Kingdom may enjoy a similar exemption in respect of securities issued in America by local authorities in the United Kingdom. Reference may be made also to such provisions as those of Schedule C, General Rule 2 (c) and 2 (d), which was extended by Section 23 (4) of the Finance Act, 1938, and also to Miscellaneous Rule 7 of Schedule D.

A non-resident is not entitled to reliefs and allowances, though under Section 24 of the Finance Act of 1920 proportionate relief is granted to British subjects, the proportion allowed being roughly the ratio borne by the United Kingdom taxable income to the total income from all sources and wherever arising.

It must not be forgotten that a person who is resident or even ordinarily resident abroad may at the same time be technically resident for tax purposes in the United Kingdom, and the distinction between ordinary residence and residence becomes material. One must note, *inter alia*, General Rule 3 of the Income Tax Act, 1918. Under that Rule a *British subject* whose *ordinary residence* has been in the United Kingdom will be assessable as an actual resident even though he may at the time of his

assessment or charge have left this country, if he has left it for the purpose *only of occasional residence abroad*, and he will be assessable in respect of both his United Kingdom and his foreign income, as if he were still actually resident here.

One must note also Miscellaneous Rule 2 of Schedule D of the Income Tax Act, 1918. Under that Rule the privilege of not being charged as a resident here in respect of foreign securities or possessions is conferred on persons who are here for some temporary purpose only and not with any intention of establishing residence here, provided that such persons have not actually resided in the United Kingdom at one time or several times for a period equal in the whole to six months in any year of assessment. If this last condition is not complied with, such persons will be chargeable as residents for any particular year in which the total stay exceeds six months.

As regards foreign income, that is, income arising out of the United Kingdom, there is no liability to tax if the recipient of the income is not resident in the United Kingdom for, as Lord Wrenbury pointed out in *Whitney's* case, referred to above, "The Income Tax Act nowhere purports to tax income which is neither derived from property in the United Kingdom nor is income received by a person resident in the United Kingdom. The word 'income' wherever found in the statute is to be understood as excluding income neither so derived nor so received."

All the Schedules except Schedule D are, in effect, "local," since they exclude income arising or payable abroad. Under Schedules A and B, for example, the tax is on the income from property, land and the like which is situate here. Under Schedule C, although the public revenue may not be that of the United Kingdom, yet the interest, etc., must be payable in the United Kingdom in order to attract tax. And under Schedule E tax is not chargeable where the employment is wholly abroad and the remuneration is payable abroad, such remuneration being only assessable if remitted here. In such a case it is assessable as a foreign possession under Case V (*Fleming v. Wilkinson*, 1925, 10 T.C. 416).

If, however, the remuneration is paid in this country the employment will not be regarded as being wholly abroad (*Foulsham v. Pickles*, 1925, A.C. 458, and *Eaton Turner v. MacKenna*, 1937, A.C. 162) and the employment therefore cannot be regarded as a foreign possession. It is also to be noted that where the holder of any office under the Government serves abroad, he will be regarded as exercising that office here (*Robinson v. Corry*, 1933, 2 K.B. 521).

In referring to the Schedules, other than Schedule D, as being "local," it should be mentioned that Schedule E in some respects stands apart from Schedules A, B and C and resembles Schedule D, since Section 18 (1) of the Finance Act of 1922 transferred to Schedule E such profits or gains from an office, employment or pension (other than those

chargeable under Case V of Schedule D or under Miscellaneous Rule 7 of Schedule D) as were chargeable previously under Schedule D. Thus, at any rate, with regard to these transferred cases, regard must be had to the over-riding words of Rule 1 (a) (ii) of Schedule D, which charges the profits from the employment on persons *residing* in the United Kingdom though if the person is resident in the United Kingdom, it is immaterial under the express words of the Rule whether the employment is carried on in the United Kingdom or elsewhere.

Under Schedule D, Rule 1 (a) (i) and (a) (ii), liability to tax in respect of income from property situated outside the United Kingdom, or from any trade, etc., carried on outside the United Kingdom, is dependent on residence in the United Kingdom, and if there is no such residence in the United Kingdom, there cannot be any tax liability in respect of such foreign income (*Williams v. Singer*, 1921, 1 A.C. 65, and *Egyptian Delta v. Todd*, 1929, A.C. 1). Nor, it seems, would a person, such as an agent or trustee, resident here to whom such income was remitted to this country, be chargeable, for he would not have the receipt or control of the income. Even if he were assessable, he would be assessable as a trustee or agent of a person who himself was exempt from tax liability in respect of the income in question, so that ultimately there would be no charge (see *Williams v. Singer*, 1921, 1 A.C.).

Questions of domicile, nationality, residence and ordinary residence become of importance when considering Case IV and Case V of Schedule D. The distinction is there drawn between "foreign securities" (Case IV) and "foreign possessions" (Case V), although Case V places certain kinds of foreign possessions, namely, "stocks, shares and rents" (Rule 1 of Case V), into a different category from other foreign possessions.

In the case of foreign possessions (Case IV) and foreign stocks, shares and rents (Case V, Rule 1) the assessment, by Section 29 (1) of the Finance Act, 1926, is on the basis of the total income arising during the previous year. In the case of foreign possessions other than stocks, shares and rents, the assessment is on the basis of sums remitted to the United Kingdom during the previous year (Section 29 (1) of the Finance Act, 1926).

But even income from foreign "securities" or foreign "stocks, shares or rents" is chargeable on the remittance basis in the case of individuals where either (i) the individual is not domiciled in the United Kingdom or (ii) is a British subject and is not ordinarily resident in the United Kingdom (Case IV, Rule 2; Case V, Rule 3). There are certain exceptions, however, to the rule that the assessment is on the basis of the previous year's income arising, or previous year's remittances. Instances of such exceptions arise when the source of the income is new or additional or has ceased. (See, *inter alia*, Sections 29 and 30 of the Finance Act, 1926.)

TAXATION

Taxation Notes

Keeping Pace

It is a difficult task under the stress of present-day conditions to keep pace with taxation legislation and cases. The writer has before him nearly fifty reports of cases decided in 1940—not to speak of over one hundred pages of Finance Act! And most of the cases need study to learn the "why and wherefore." For example, until the Court of Appeal reversed the decision of the lower court, we were faced with the startling proposition that the six year time limit under Section 33 of the Finance Act, 1926, covered seven years of assessment. The *status quo* is a relief! Where an employment is exercised wholly abroad, the fact that the contract was made here does not take the assessment out of Case V; bank interest is income from investments for N.D.C. and so, by analogy, for E.P.T.; and so on, all decisions which we must know. What is the remedy? The writer finds that self-discipline is necessary for the close reading of ACCOUNTANCY and other professional journals and that the Taxation Reports must not merely be subscribed for but must be read as they appear. One of the worst faults of many accountants appears to be the habit of subscribing to periodicals without even opening, let alone reading, them. To set aside an hour or two a week for the purpose of studying to keep abreast of the times is a duty as important as any we owe to our clients, no matter how hard we find it to encroach still further on the limited time not devoted directly to professional work.

E.P.T.—Approximations

Many assessments are now being agreed on "give and take" methods, for example, the average capital is ascertained by averaging the opening and closing figures. As a senior Inspector recently said to the writer: "The amount will always be somewhere between 19s. 9d. and 20s. 3d. in the £." Accountants should aim, however, at the 19s. 9d. rather than the 20s. 3d. After all, it is only in the first year that the worst difficulties arise, and future computations will follow principles already agreed; the alternative standards will have been calculated once and for all and will be to hand.

E.P.T.—Accruing Liabilities

Section 34 of the Finance Act, 1940, provides that in computing capital the debts to be deducted shall include any such sums in respect of accruing liabilities *as are allowable as a deduction in computing profits* for the purposes of E.P.T. The words italicised should be noted. An accruing liability which is not allowed in computing profits is not covered, and may therefore be claimed as a deduction when paid.

E.P.T.—Non-recurring Profits

Section 33 (2) of the 1940 Act empowers the Commissioners (subject to the right of appeal to the Board of Referees) to apportion to appropriate accounting periods a deduction which they do not consider to be reasonably and properly attributable to the accounting period in which it is charged. There is no similar provision regarding profits, and cases have already arisen where a non-recurring receipt, already included in a certain year's profits for income tax purposes, has been allowed to be transferred to another year, on its being pointed out to the Inspector of Taxes that by analogy with an E.P.D. case (e.g., *Short Bros. v. C.I.R.*, 12 Tax Cases 955) the profit legally "arose" in the latter year.

Income Tax—Deduction at Source

Readers will hardly require a reminder that under-deductions of tax from payments other than ordinary dividends must now be made good by a correspondingly increased deduction from the next payment. For example, a fixed preference dividend or mortgage interest paid in June under deduction at 7s. 6d. in the £ will necessitate a deduction of 9s. 6d. from the December payment to make the average for the year 8s. 6d. Of course, if there is a variation in the amount paid, the adjustment is not quite so simple, for example, if the interim payment was £200 and the final payment £300, the tax adjustment would be as follows:—

Final payment	...	...	£300	0	0
Less Income Tax—					
£300 at 8s. 6d.	...	£127	10	0	
£200 at 1s.	...	10	0	0	
					137 10 0
Net payment	...	...	£162	10	0

Stock Valuations

In the case of some sole traders, partnerships and small companies, where adequate check on the stock-taking is impracticable, there is no doubt that stock is sometimes understated. The understatement is not always with the deliberate intention of escaping taxation; it is often mere excessive caution. The gross profit percentage test may, in some cases, make it beyond question that something is wrong, otherwise, no matter what he may suspect, the accountant cannot do much beyond a suitably qualified report. The Revenue then usually require a certificate of accuracy from the taxpayer.

Many of those taxpayers who have undervalued stock consistently will, in the next few years, reap what they have sown. With restrictions on purchases of materials, stocks will tend to go down, with the result that current profits will be overstated. Tax avoided in the past at perhaps 4s. 6d. or 5s. in the £ will now be more than offset by the increased charge of 8s. 6d. in the £ and perhaps surtax, N.D.C. or E.P.T. as well. Some taxpayers may seek to "confess" with the aim of having the real valuations inserted in their proper years, particularly where E.P.T. comes into the picture. It is not beyond possibility that the whole of an apparent excess profit may arise solely through stock undervaluations in the past. For example, if in the standard year, the closing stock exceeded the opening stock by £12,000, and 20 per cent. had been "knocked off" each, the profit would be understated by £2,400. Suppose the stocks in the chargeable accounting period were the reverse amounts, the profits would be overstated by £2,400, giving a difference of £4,800 on this ground alone. Even if the closing stock were properly valued, there would still be an over-statement equal to the amount by which the opening stock was undervalued.

Life Assurance: War Risk Premiums.

It is important to note that war insurance premiums are not taken into account in calculating the limitations of one-sixth of the total income, 7 per cent. of the sum insured, etc. War insurance premiums, for this purpose, are any additional premium or other sum paid for the extension of an existing life assurance policy to cover risks from war or war service abroad, and any part of any premium, etc., paid in respect of a life assurance policy covering those risks or either of them, which

appears to the Commissioners to whom the claim for relief is made to be attributable to those risks. If an accident policy covers fatal accidents, relief can be claimed for the premium. With policies covering death or disablement by accident only, where the portion of the premium covering the separate risks is not distinguished, it is the practice to admit the premium for allowance; where sickness risks are also included, a certificate is required as to the proportion of the premium applicable to the death risk, and the allowance is restricted to that part.

"Moneys Not Required"

In many cases the amount of the cash held at the bank at accounting dates is so high in relation to the remaining items in the balance sheet that the Revenue may contend that some part should be excluded as "moneys not required for the purpose of the trade or business" (Rule 3, Part II., 7th Schedule). In some cases the amount so excluded appears to be the whole excess over some basic figure. It is doubtful, however, whether such treatment is right in principle, since the "excess" amount on such a basis is subject to the accident whether the collection of debts or payment of accounts is before or after the last day of the period. In measuring the excess, if any, it appears that the cash position throughout the accounting period should be taken into account. Thus, although the balance at December 31 may be £10,000, the balance at some date in the year may have been as low as, say, £3,000. If £1,000 be regarded as the minimum safe balance, then only £2,000 can be regarded as having been in excess of requirements during the period; certainly no amount can be regarded as being in excess if the exclusion of the amount throughout the period would have resulted in the business having to borrow money. Regard must also be had to the probable requirements in the next period, including the accruing liabilities for taxation payments and for capital commitments.

Amounts Due to Directors

Under the new Rule 10 as provided in the Finance Act, no deduction for remuneration of directors is permitted in the case of a company director-controlled throughout the chargeable accounting period. Although at first sight this appears to be very drastic, the change will not affect the liability where the remuneration of directors (excluding whole-time service directors) has increased in the chargeable accounting period as compared with the standard, and will be beneficial where the amounts have decreased.

An addition to Rule 2, Part II., 7th Schedule, provides that the debts "to be deducted" in computing capital "shall include any such sums in respect of accruing liabilities as are allowable as a deduction in computing profits for the purposes of Excess Profits Tax." Taking the two provisions together it appears that in those cases where the remuneration of directors has been credited to them but not drawn, the liability is not deductible; effectively, therefore, any such amounts due to the directors will constitute capital employed, yielding a benefit to the company where the liability has increased over the course of years.

There is one flaw in the above contention, however, which the Revenue may use in reply: the main rule requires the deduction of "any borrowed money and debts," and if the balance due to the directors for remuneration was, in fact, a debt at the balance sheet date, instead of an accruing liability, the amount would appear to be deductible at that date.

This disallowance of all directors' remuneration in the case of director-controlled companies (other than

that of whole-time service directors) makes it necessary to ascertain from each director the amount (if any) allowed as expenses in his Schedule E assessment, as only the net amount on which he is taxed under that schedule is true remuneration. Thus a director receiving a salary of £1,000, plus £500 expenses, who is only allowed £350 as expenses, is in receipt of remuneration of £1,150, which is the amount to add back in the accounts. Likewise, a director who is paid fees of £900, but obtains a deduction for expenses of £300 on his Schedule E assessment, is in receipt of only £600 remuneration. The importance of the expense claim is thus magnified, and it will be all the harder to prove! All "round sum" agreements with H.M. Inspector of Taxes should be reviewed. Moreover, when fees are voted in arrear, care must be exercised to ensure that the fees are adjusted in the capital computation at the right date.

LIMITATION OF SUPPLIES (MISCELLANEOUS) ORDER, 1940

In our July issue we dealt at length with the Limitation of Home Trade Supplies. A communication has recently been received from the Board of Trade regarding the information required from persons and undertakings registered with the Board for the purpose of dealing in miscellaneous supplies. It is desired that the auditor's report on the return required should be furnished to the Board of Trade and the Board have approved a wording for the report similar to that agreed for the certification of returns as to piece-goods and made-up goods. The wording approved is as follows:—

"I/We have examined the method adopted in arriving at the figures set out in the annexed return and am/are of the opinion that it is a reasonable one. I/We have conferred with the officials and employees concerned in the compilation of the figures and have made such tests as I/we have considered necessary.

"Having received such information and explanations as I/we have required, I/we report that in my/our opinion the figures comply with the requirements of the General Direction dated 1940, issued by the Board of Trade under Article 5 (1) of The Limitation of Supplies (Miscellaneous) Order, 1940."

It is, of course, contemplated that auditors will make such qualifications as they think necessary, having regard to the wide variety of circumstances which will arise in practice. The report should normally be made on the letter heading of the auditors and should be attached to the return, which should be initialled for purposes of identification.

Readers are referred to the article in the July issue, which applies *mutatis mutandis* to the operation of the Order limiting miscellaneous supplies.

An Income Tax Ordinance, having effect from January 1 last, places income tax in Kenya on an East African basis, that is, tax is chargeable on income derived not only from Kenya but also from Tanganyika, Uganda and Zanzibar. A war-time surcharge of 50 per cent. for companies and 40 per cent. for individuals is made on the amount assessed. Similar provisions apply to Tanganyika, Uganda and Zanzibar, but individuals pay no war surcharge in the last two countries.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Income Tax—Schedule D—Purchase and sale of land—Speculator in one area—Purchase and sale in another area—Whether latter an operation of trade.

Sharpless v. Rees (K.B.D., May 27, 1940, T.R. 347) is an example of a common type of case where it is alleged that a particular transaction is not to be regarded as a transaction in the ordinary course of trade. The appellant was contemplating retirement from his business as a speculative builder and taking up poultry-farming as a hobby. A piece of land was purchased and plans were drawn up; but these were not submitted to the local authority and, appellant's health becoming worse, the project was abandoned. About a year later the land was sold at a profit and the General Commissioners had decided that this arose in the course of the appellant's business as a speculative builder. Lawrence, J., affirmed their decision, holding that the matter was a pure question of fact.

Counsel for the appellant argued that there was a contradiction between the Commissioners' finding and their apparent acceptance of the appellant's evidence as to the reasons of health prompting his action; but the judge was not prepared to agree that there was such a contradiction as to justify sending the case back. He thought that the Commissioners were entitled to take and may have taken the view that the appellant was buying it as a part of his ordinary trading as a speculator, although he had the incidental intention of using it for poultry-keeping before it was ripe for sale. Such a conclusion was not inconsistent with accepting the fact that the actual time of sale was determined by health reasons.

The position with regard to such transactions would seem to be fairly clear. Everything depends upon intention; and intention is a matter of evidence. Where more than one intention is found to be present it is a question of fact what is the main intention and what is merely ancillary or incidental.

Income Tax—Publication of book—Payment to author for licence—Whether income or capital receipt—Income Tax Act, 1918, Schedule D, Case VI.

In *Beare v. Carter* (K.B.D., May 9, 1940, T.R. 331) the respondent, Dr. A. T. Carter, K.C., was the author of a well-known book entitled "History of the English Courts" and the owner of the copyright and the issue was whether £150 paid to him by Butterworths in 1936 for permission to publish an edition was taxable under Case VI. The book had been first published in 1899 and further editions were published in 1902, 1906, 1910 and 1927. The payment of the £150 included Dr. Carter's remuneration for services in preparing the edition. As, however, the book needed little revision the Crown agreed that the £150 should be regarded as being merely a payment for permission. The General Commissioners had held that it was a capital payment and this was affirmed by Macnaghten, J.

The essence of his judgment is contained in the passage:—

"That copyright is property, and that a price paid for an out-and-out purchase of copyright is capital, are propositions which are not disputed by the Crown. On the other hand, royalties are income, and that is not a proposition that is to be disputed by the respondent."

He was unable to find any principle in the case at all, considering it to be a question whether upon the facts there was evidence to support the Commissioners' decision. He thought that, following *C.I.R. v. Longmans, Green & Co., Ltd.* (1932, 17 T.C. 272; 11 A.T.C. 244) and other cases, if the £150 had been merely a lump sum payment to publish so many copies of the work, the decision of the Commissioners would have been wrong. He admitted, however, that the distinction between capital and income in such cases was extremely fine.

The point of this case is one which has been the subject on and off of a spirited but, hitherto, indecisive controversy between the income tax authorities and the literary world for the greater part of a century; and it is to be hoped that the case will be carried further at the Crown's expense. Setting aside the element of services, ignored in the present case, the effect of Mr. Justice Macnaghten's judgment would seem to be that in a large number of cases, mostly small, the liability or non-liability of authors will be determined by the precise form of the contracts with the publishers. But, whilst a writer of eminence, like Dr. Carter, may be able to conclude such a contract, this course will not be open to authors less favourably situated whose profit or loss on an edition will be dependent upon results. Such an artificial position would seem to be undesirable.

Estate Duty—Gift inter vivos within three years of death—Ordinary shares—Capitalisation of reserves and issue of bonus shares—Whether bonus shares liable to Estate Duty—Customs and Inland Revenue Act, 1881, Section 38—Customs and Inland Revenue Act, 1889, Section 11—Finance Act, 1894, Sections 1, 2 (1) (c), 7 (5), 22 (f).

Attorney-General v. Oldham (C.A., July 4, 1940, T.R. 417), was noted in our April issue. In January, 1934, Mr. Tate, defendant's father, gave her 25,000 ordinary shares in Tate & Lyle, Ltd., then worth just over £4 per share. In May, 1935, there was a capitalisation of reserves and distribution of bonus shares, defendant receiving 10,000. The market prices immediately before and immediately after the distribution were £5½ and £3½ respectively. Mr. Tate died on April 30, 1936, and whilst liability was admitted as regards the 25,000 shares, it was disputed as to the 10,000 bonus shares. In the King's Bench Division (February 23, 1940), Wrottesley, J., had found in favour of the beneficiary, and the Court of Appeal affirmed the decision. Counsel for the defendant was not called upon; and leave to appeal to the Lords was refused.

Scott, L.J., commended the judgment of Wrottesley, J., and adopted it as his own, whilst Clauson, L.J., refused to consider problems of identification of the subject matter of a gift with something which exists at the date of death. This was unnecessary where, as in the present case, the original subject matter of the gift remained unaltered.

In this country the law, generally, as affecting issues of bonus shares is extremely technical in its outlook, legal form being preferred to economic substance. In this it differs from that of most of the States of the U.S.A., where the Courts have definitely refused to follow English precedents.

Income Tax, Schedule D—Shares allotted to employees at par—Excess of market value over par value—Whether allowable as deduction in computing profits—Income Tax Act, 1918, Cases I and II of Schedule D, Rule 3 (a) (c).

The case of *Lowry v. Consolidated African Selection Trust, Ltd.* (House of Lords, May 8, 1940, T.R. 299), was noted in our issues of January and April, 1939. The decision of Macnaghten, J., which had been reversed by the Court of Appeal, was restored by a majority, the Lord Chancellor, Viscount Maugham and Lord Russell of Killowen against Lords Wright and Romer. The facts of the case are sufficiently indicated by the heading.

The decision is one which is of little value in itself because, as pointed out by the Lord Chancellor, had the company voted the full market value of the shares to its employees upon the understanding that they thereupon subscribed for the shares, the intrinsic position would have been the same but the company would have been entitled to deduct the whole of the amount involved. What is extremely important about the case is the restriction put by the majority upon the principle decided in *Usher's Wiltshire Brewery, Ltd. v. Bruce* (1915, A.C. 469, 6 T.C. 339), a case which has hitherto been the last refuge of many doubtful claims. Disassociating themselves from the opinion expressed by Lord Sumner in that case, they were, to use the words of Lord Maugham, "unable to agree with the Master of the Rolls that *Usher's* case is laying down some broad, though undefined, principle which may extend to all sorts of cases in which the taxpayer has forgone a profit." In effect, they found that, as with *Russell v. Town and County Bank, Ltd.* (1888, 13 A.C. 418, 2 T.C. 321), upon which *Usher's* decision was founded, the principle established by the latter is restricted to questions of rent or annual value. But the lengthy judgments delivered contain many dicta of value, and will eminently repay careful study.

The opinion may be expressed that, although the *Usher* case has been a sore trial to the Revenue, the curtailment of its operation is, upon the whole, to be regretted. It did enable many decisions to be given in favour of the taxpayer which, otherwise doubtful in law, were in accordance with equity and commonsense; and many will be disposed to think that, even in the present case, the decision of the Court of Appeal and the views of the minority in the Lords possessed these attributes.

Schedule D—Parent company writes off from debt owing by subsidiary company amount of loss of subsidiary—Whether admissible as a deduction in computing profits of parent company—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 3 (a).

In *Odham's Press, Ltd. v. Cook* (House of Lords, May 8, 1940, T.R. 291) the decision of the Court of Appeal, reported in our issue of January, 1939, was unanimously affirmed.

The company, from whose indebtedness to the appellants the sum at issue was written off, was a subsidiary of the appellants in the sense that they held a controlling interest, having acquired all the shares partly in order to secure work for themselves in the printing of a periodical and partly as an investment. For the year ending December, 1933, the subsidiary, *Coming Fashions, Ltd.*, made a trading loss of £2,927, which the appellant company, from reasons of policy, wrote off in their books as a trading loss and relieved the subsidiary of the equivalent amount of indebtedness. When the case came before the Court of Appeal, it

was remitted to the Special Commissioner—one of them had retired from the public service—to answer two questions, one of which was whether the sum written off was so written off wholly and exclusively for the purpose of the trade or business of the appellants. The answer being in the negative, to use the words of the Lord Chancellor, the effect was to make it "a hopeless appeal."

Whether or not the relief given by a parent company to its subsidiary is admissible as a deduction in computing the former's trading profits is clearly a question whether the loss complies with the terms of Rule 3 (a), and that is itself a question of fact for the Commissioners. But the fact that the parent owns all the shares, and in that sense may be said to be an investor, does not of itself rule out the possibility of allowance. Each case must obviously depend upon its own particular facts; and there will be cases where it will be possible for the Commissioners to hold that the conditions of Rule 3 (a) are fulfilled. It is worthy of mention that in such cases there will be the potentiality of double allowance, the amount remitted to the subsidiary being neither a trading receipt nor a trade discount. The latter was argued to be the position in the case under review; but this view was rejected both by the Commissioners and by the Lord Chancellor.

Sur-tax—Undistributed income—Company acquiring shares in other companies by loan from bank—All dividends payable to bank—Finance Act, 1922, Section 21; Schedule I, para. 6.

Thomas Fattorini (Lancashire), Ltd. v. C.I.R. (K.B.D., May 9, 1940, T.R. 339; C.A., August 2, 1940, T.R. 431) was a case where a company within Section 21 of Finance Act, 1922, had failed to distribute a reasonable part of its income, having, in fact, precluded itself from doing this by a contract with its creditor.

The respondent company was registered in 1919 and carried on a jewellery business. It ceased to carry on business in 1928 but had some money which it lent at interest to one or other of three operative companies, *Thomas Fattorini (Skipton), Ltd.*, *Thomas Fattorini (Birmingham), Ltd.*, and *H. Pearson, Ltd.* In 1936 Wilfred Fattorini and his wife were the sole shareholders in the respondent company; and in that year he acquired by its means all the shares which his brother and his father's executors held in the operative companies. The company also acquired his own holdings. The main part of the money required for this purpose was supplied by Martin's Bank under a stringent agreement of which the stringency, it is suggested in the judgment, may be attributed to Mr. Wilfred Fattorini himself. Under it, whilst any part of the loan and interest remained unpaid, the bank was to have full powers over the shares in respect of which certificates were to be deposited and all dividends received were to be paid to the bank and applied to the discharge of the debt and interest.

The company's income for 1936-37 was £5,340 and for 1937-38 £31,140. The Special Commissioners made a direction under Section 21 of the Finance Act, 1922, but this was discharged upon appeal. The Revenue, thereupon, required a re-hearing by the Board of Referees, who restored the direction. But Macnaghten, J., restored the decision of the Special Commissioners and discharged the direction.

It was pointed out for the Crown that if Mr. and Mrs. Fattorini had carried out the transactions in their own names the liability to sur-tax would have been unquestionable. But Macnaghten, J., held that fact not to be material. The question was whether the agreement

with the bank precluded a direction which the Commissioners were otherwise plainly entitled to give. The Referees had given reasons for their decision. They had held that it would not have been a breach of contract for the company to distribute a dividend and the Crown had cited a dictum by Romer, L.J., in *Montague Burton, Ltd. v. C.I.R.* (1936, 20 T.C. 48, 15 A.T.C. 29), that the fact of a company having used its income for the purchase of a capital asset does not prevent the distribution of a dividend. But the finding of the Referees was academic because the agreement precluded the company from doing so, and the company had no assets except the shares in question and could obtain money from no other source. The Referees had also found that even if they were wrong in the view they had taken, it was not reasonable for the company to make such a contract. The judge held, in accord with counsel for the company, that this was no affair of the Referees. The contract could not be impeached. They had distinguished the case of *Glazed Kid Co., Ltd. v. C.I.R.* (1930, 15 T.C. 445; 9 A.T.C. 207), but he held

that the only distinction was that this was a stronger case.

In the Court of Appeal this judgment was unanimously reversed; but leave was given to appeal to the House of Lords. In giving the judgment of the Court, Scott, L.J., declared that it was not satisfied that the covenant to pay the dividends to the bank gave the latter any further right than it possessed as mortgagee of the shares, and pointed out that the amount borrowed was £17,321 less than the purchase price. If it was contended that the company possessed no assets out of which it could raise money for dividend purposes to take the place of income which it had found convenient to devote to a capital purpose, the facts did not support the inference. The case was held to be covered by the decision re *Montague Burton, Ltd.*, and, in so far as the decision in the *Glazed Kid Co.'s* case was inconsistent with the conclusion at which they had arrived, they disagreed with it. The Court agreed, however, that the observations by the Referees upon the nature of the contract were irrelevant.

Income Tax, 1940-41

The following is a notice issued by the Board of Inland Revenue

Under the provisions of Section 6 of the Finance (No. 2) Act, 1940, Income Tax for the year commencing 6th April, 1940, is to be charged at the standard rate of 8s. 6d. in the £ instead of at 7s. 6d. in the £, the rate originally imposed by Section 11 of the Finance Act, 1940.

The Board of Inland Revenue desire to draw the attention of Bankers, Agents entrusted with the payment of Foreign and Colonial Dividends, Coupon Dealers, Secretaries of Companies, and others to the following particulars with regard to adjustments falling to be made in consequence of the increase in the standard rate.

The new standard rate of 8s. 6d. is effective for the whole of the year commencing 6th April, 1940, but, by virtue of the provisions of Subsection (2) of Section 6, deductions of tax made before 1st September, 1940, by reference to the original standard rate of 7s. 6d. remain legal deductions, subject to such subsequent adjustments as may be necessary to give effect to the increase in the rate.

The cases in which adjustments may be necessary to make good deficiencies in the amounts of tax deducted from payments made before 1st September, 1940, fall into two classes:—

Class I.

Tax deducted from payments which are not made out of profits or gains brought into charge to Income Tax.

In this Class are deductions from:—

- (a) Interest and dividends from the Public Funds, where payable under deduction of tax;
- (b) Interest and dividends of Foreign or Colonial Government Securities, or of Foreign or Colonial Companies, entrusted to an Agent in the United Kingdom for payment in the United Kingdom on or after 6th April, 1940, and also the like dividends or interest which, although not entrusted to such an Agent for payment, have been realised on or after that date through Bankers, Coupon Dealers, or other persons in the United Kingdom;
- (c) Copyright royalties paid to non-residents;
- (d) The following payments, where not paid out of profits or gains brought into charge to Income Tax:—
 - (i) Interest paid by Municipal Corporations or other Local Authorities;
 - (ii) Other interest, annuities, and patent royalties;
 - (iii) Rents, mineral rents and royalties, etc., payable in respect of property in the United Kingdom, which forms part of such concerns as mines,

gas works, water works, railways, etc., and is not charged to Income Tax under Schedule A;

(iv) Rents payable under leases granted for a term exceeding fifty years of property chargeable to Income Tax under Schedule A and certain other annual payments charged on such property (e.g., rentcharges, fee farm rents and feu duties) falling due after 5th April, 1940 (or in Scotland after 15th May, 1940).

With regard to cases falling within this Class, where a payment has been made after 5th April, 1940, and before 1st September, 1940, and Income Tax has been deducted by reference to the standard rate of 7s. 6d. in the £ originally imposed for the year, Paragraph 2 of the Fifth Schedule to the Finance (No. 2) Act, 1940, provides that any deficiency in the amount of tax deducted (being a deficiency arising by reason of the change in the standard rate) shall, so far as possible, be made good by increasing the deduction to be made from the next payment, and, if necessary, from subsequent payments, made before 1st September, 1941, by an amount equal to the amount of the deficiency. The additional amount so to be deducted must be accounted for to the Revenue in the same manner as the tax deducted from the original payment.

For example, in the case of equal half-yearly payments of dividends, interest, etc., on 1st July and 1st January, tax will have been deducted from the payment on 1st July, 1940, by reference to the original standard rate of 7s. 6d. in the £; tax will, therefore, be deductible from the payment on 1st January, 1941, by reference, in effect, to a rate of 9s. 6d.* in the £ (8s. 6d., the standard rate for the year, + 1s. to counter-balance the insufficient deduction in July).

In the case of equal quarterly payments on, say, 15th April, 15th July, 15th October and 15th January, tax will have been deducted from the payments in April and July, 1940, by reference to the rate of 7s. 6d. in the £; tax will, therefore, be deductible from the October payment by reference, in effect, to a rate of 10s. 6d. in the £ (8s. 6d., the standard rate for the year, + 2s. to counter-balance the insufficient deductions in April and July).

* Where, however, the January payment is either greater or less in amount than the July payment (e.g., by reason of a variation in the rate of the dividend or the interest or of fluctuations in exchange) the effective rate by reference to which deduction of tax will be made will not, of course, be 9s. 6d. in the £.

For example, if the July payment amounted to £5 and the payment in January to £10, the tax deductible from the latter payment would be equivalent to tax by reference to an effective rate of 9s. in the £ (i.e., £10 at 8s. 6d. the standard rate for the year, plus £5 at 1s. to make up the July deficiency which is equivalent to tax on £10 at 9s. in the £).

Where there are no subsequent payments of dividends, interest, etc., before 1st September, 1941, from which the adjusting deduction can be made, Bankers, Paying Agents and others who have made payments since 5th April, 1940, from which tax has been deducted by reference to the rate of 7s. 6d. in the £, will be required to furnish to the Commissioners of Inland Revenue lists containing the names and addresses of the persons to whom the payments have been made and the amounts of such payments.

Class II.

Tax deducted from payments made out of profits or gains brought into charge to Income Tax.

In this Class are deductions from :—

(a) Preference dividends (as defined by Section 12 (4) of the Finance Act, 1930),† paid out of the profits or gains of companies in the United Kingdom ;

(b) The following payments, where paid out of profits or gains brought into charge to Income Tax :—

(i) Interest paid by Municipal Corporations or other Local Authorities ;

(ii) Other interest, annuities and patent royalties ;

(iii) Rents, mineral rents and royalties, etc., payable in respect of property in the United Kingdom which forms part of such concerns as mines, gas works, water works, railways, etc., and is not charged to Income Tax under Schedule A ;

(iv) Rents payable under leases granted for a term exceeding fifty years of property chargeable to Income Tax under Schedule A and certain other annual payments charged on such property (e.g., rentcharges, fee farm rents and feu duties) falling due after 5th April, 1940 (or in Scotland after 15th May, 1940).

The adjustment of deductions from payments falling within Class II is primarily a matter between the payer and the recipient and does not immediately concern the Revenue. The profits or gains out of which the interest, dividends, etc., are paid will be taxed in the ordinary course by reference to the rate of 8s. 6d. in the £, and the Revenue will receive in this manner the full tax to which it is entitled.

Provision is, however, made for the adjustment of insufficient deductions in cases falling within Class II as follows :—

Where a payment or payments due after 5th April, 1940,‡ have been made before 1st September, 1940, and Income Tax has been deducted by reference to the original standard rate of 7s. 6d. in the £, Section 211 (2) of the Income Tax Act, 1918 (as amended by Section 12 (2) of the Finance Act, 1930, and by Paragraph 3 of the Fifth Schedule to the Finance (No. 2) Act, 1940), authorises the payer to adjust the previous under-deduction of tax by making a corresponding extra deduction from the next subsequent payment. Thus, in the case of equal half-yearly payments of debenture interest due on 1st July and 1st January, tax will have been deducted from the payment on 1st July, 1940, by reference to the original standard rate of 7s. 6d. in the £; the company will, therefore, be entitled to deduct tax from the payment of interest on 1st January, 1941, by reference, in effect, to a rate of 9s. 6d. in the £ (8s. 6d., the standard rate of the year, + 1s. to counterbalance the insufficient deduction in July).

In the case of equal quarterly payments of interest due on, say, 15th April, 15th July, 15th October and 15th January, tax will have been deducted from the payments in April and July, 1940, by reference to the

original standard rate of 7s. 6d. in the £; the company will, therefore, be entitled to deduct tax from the October payment of interest by reference, in effect, to a rate of 10s. 6d. in the £ (8s. 6d., the standard rate for the year, + 2s. to counterbalance the insufficient deductions in April and July).

If there is no subsequent payment from which an adjusting deduction can be made, the payer is entitled to recover the amount under-deducted directly from the recipient of the payment from which the insufficient deduction was made.

Dividends, other than preference dividends,|| paid out of the profits or gains of Companies in the United Kingdom.

As regards dividends other than preference dividends|| the position is as follows :—

The Income Tax Acts do not authorise any subsequent adjustment in respect of under-deductions of tax, but provide (Subsection (3) of Section 12 of the Finance Act, 1930), that

"where on payment of a dividend (not being a preference dividend within the meaning of this section), income tax has, under Rule 20 of the General Rules, been deducted therefrom by reference to a standard rate of tax greater or less than the standard rate for the year in which the dividend became due, the net amount received shall, for all the purposes of the Income Tax Acts, be deemed to represent income of such an amount as would, after deduction of tax by reference to the standard rate last-mentioned, be equal to the net amount received, and for the said purposes there shall in respect of that income be deemed to have been paid by deduction tax of such an amount as is equal to the amount of tax on that income computed by reference to the standard rate last-mentioned."

Thus, in the case of a dividend of £46 on ordinary shares payable on, say, 1st July, 1940, from which tax was deducted at the original standard rate of 7s. 6d. in the £ the net amount received will have been £28 15s., and the shareholder will be deemed, for the purposes of Income Tax (and Sur-Tax), to have received income amounting to £50, and to have suffered tax, by deduction, amounting to £21 5s. (i.e., tax at 8s. 6d. on £50, which is thus reduced to £28 15s., the net amount actually received). If this dividend was received by a shareholder entitled to claim complete relief from Income Tax, he would be able to obtain repayment of £21 5s. (the tax which he is deemed to have suffered upon income amounting to £50). Similarly, if the shareholder is liable to Sur-tax, the amount to be included in his statement of total income will be £50.

If further information, such as the Board may be in a position to furnish, is desired in particular cases, application should be made to Somerset House.

|| See (†) in previous column.

RECENT TAX CASES

The following recent tax cases are dealt with in this issue :—

	CASE	PAGE
Sharpless v. Rees	...	316
Beare v. Carter	...	316
Attorney-General v. Oldham	...	316
Lowry v. Consolidated African Selection Trust, Ltd.	...	317
Odham's Press, Ltd. v. Cook	...	317
Thomas Fattorini (Lancashire), Ltd. v. C.I.R.	...	317
Kerr v. Molltram, Ltd.	...	322
Re Royce, Turner v. Wormald and Others	...	322
Re Taylor	...	322
Re Henderson, Henderson v. Henderson	...	322
Landon v. Huberman	...	322
Brandon v. Reidy	...	322
Soho Square Syndicate, Ltd. v. Pollard & Co., Ltd.	...	323
Griffiths v. Dalton	...	323

† The expression "preference" dividend is defined as meaning (a) a dividend payable on a preferred share or preferred stock at a fixed gross rate per cent. ; or (b) where a dividend is payable on a preferred share or preferred stock partly at a fixed gross rate per cent. and partly at a variable rate, such part of that dividend as is payable at a fixed gross rate per cent.

‡ In the case of rents, feu duties, bond interest, etc., payable in respect of lands and heritages in Scotland, chargeable under Schedule A, deductions in respect of Income Tax made from any payments due for the period ending on 15th May, 1940, are to be made at the rate in force at the commencement of that period.

§ See (†) on p. 318.

The Emergency Acts and Orders

In our November, 1939 issue we published the first instalment of a comprehensive guide to the war-time enactments and Orders which most concern the accountant. The series is brought up to date each month, and the eleventh instalment is given below. The summaries are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ACTS

Confirmation of Executors (War Service) (Scotland) Act, 1940.

Provision is made for appointment or confirmation of executors in Scotland where a person engaged in war service has been reported dead, or has been reported missing and officially presumed to be dead.

Emergency Powers (Defence) (No. 2) Act, 1940.

Orders in Council may be made providing for trial by special courts where by reason of recent or immediately apprehended enemy action the military situation requires that criminal justice should be administered more speedily than would be practicable by the ordinary courts. Sentences are to be reviewed where sentence of death is passed and in other circumstances if so provided by the Regulations.

Unemployment Insurance Act, 1940.

Rates of unemployment insurance benefit and contributions are increased. Non-manual workers must be insured from September 2, 1940, if their salaries are not more than £420 a year.

Workmen's Compensation (Supplementary Allowances) Act, 1940.

Weekly workmen's compensation payments in respect of total incapacity are to be increased by 5s., with additional amounts for children under the age of 15 of male workmen, subject to a maximum payment of seven-eighths of the average weekly earnings. Payments for partial incapacity are to be adjusted in proportion. (See p. 308 of this issue.)

ORDERS

BUILDING SOCIETIES

No. 1137. Defence (Building Societies) Regulations, 1940.

Six months' notice must be given before withdrawal from a building society of any sum in respect of shares, deposits or loans. Bank loans and deposits under certain continuing arrangements are not affected.

COURTS

No. 1306/L.16. Courts (Emergency Powers) (No. 2) Rules, 1940.

No. 1422/L.22. County Court (Emergency Powers) (No. 2) Rules, 1940.

Amendments are made in the procedure in applications under the Courts (Emergency Powers) Act, 1939. These relate mainly to cases where other liabilities of the defendant are to be taken into account, and to applications by mortgagees.

(See ACCOUNTANCY, May, p. 225.)

No. 1421/L.21. Courts (Emergency Powers) (Evacuated Areas) Rules, 1940.

The appropriate court is defined, and rules laid down for procedure, in cases covered by the Defence (Evacuated Areas) Regulations, 1940.

(See ACCOUNTANCY, August, p. 299.)

No. 1444. Defence (War Zone Courts) Regulations, 1940.

No. 1445/S.64. Defence (War Zone Courts) (Scotland) Regulations, 1940.

No. 1446/S.65. War Zone Courts (Procedure) (Scotland) Rules, 1940.

No. 1447/S.66. Sheriff Court (Emergency Procedure) (Scotland) Rules, 1940.

No. 1472/S.67. War Zone Courts (Constitution) (Scotland) Order, 1940.

War zone courts are constituted and provision made for their functioning in case of need, in accordance with the Emergency Powers (Defence) (No. 2) Act, 1940, summarised above.

EXPORTS

No. 1286. Export of Goods (Control) (No. 26) Order, 1940.

Postage stamps of philatelic interest and similar articles may be exported, provided that each package is passed for export, sealed, and despatched by the Board of Trade.

No. 1332. Export of Goods (Control) (No. 28) Order, 1940.

The provision authorising the export of goods other than diamonds to the Channel Islands is revoked.

Nos. 1331, 1395, 1423. Export of Goods (Control) Orders, 1940, Nos. 27, 29, 30.

Further amendments are made in the list of goods which may not be exported without a licence.

(See ACCOUNTANCY, August, p. 299.)

FINANCE

No. 1268. Finance (Revocation of Orders) Order, 1940.

Certain Orders made under the Defence (Finance) Regulations, which have been rendered inappropriate or unnecessary or impliedly revoked by subsequent Orders or amendments, are expressly revoked.

No. 1290. Order in Council adding Regulation 1A to the Defence (Finance) Regulations, 1939.

No. 1291. Order in Council adding Regulation 1A to the Defence (Finance) Regulations (Isle of Man), 1939.

The Treasury may give directions as to the custody and disposition of documents of title relating to securities.

No. 1329. Order in Council adding Regulation 2A to the Defence (Finance) Regulations, 1939.

The Treasury may prohibit the carrying out of any order for the payment or transfer of money, gold or securities, if the order comes from a State which is exposed to pressure from another State, or from a resident in, or a company incorporated or controlled in, that State.

No. 1254. Order in Council substituting new Regulations 3 to 3E for Regulations 3 to 3C, and amending Regulations 5B, 9 and 10, of the Defence (Finance) Regulations, 1939.

No. 1255. Order in Council substituting new Regulations 3 to 3E for Regulations 3 to 3C, and amending Regulations 5B, 9 and 10, of the Defence (Finance) Regulations (Isle of Man), 1939.

The amended Regulations deal with the restrictions on the export of currency, the transfer of securities, payments to persons outside the sterling area, and Treasury special accounts into which sums due to persons in specified territories may be paid. A branch in the sterling area of a company resident outside the sterling area is to be treated as a separate entity for the purposes of these Regulations.

No. 1256. Defence (Finance) (Definition of Sterling Area) Order, 1940.

The sterling area is defined as including all British Dominions and Colonies except Canada, Newfoundland and Hong Kong; mandated territories and pro-

tectorates; and Egypt, the Anglo-Egyptian Sudan and Iraq.

No. 1267. *Currency Restrictions (Travellers' Exemption) Order, 1940.*

Persons leaving the United Kingdom may take up to £25 in bank-notes or Irish currency if bound for any destination in Eire. For a destination to which the Trading with the Enemy Act applies the amount allowed is £2 in bank-notes or foreign currency, and for any other destination £10.

No. 1257. *Regulation of Payments (General Exemptions) Order, 1940.*

A payment or transfer by a person resident outside the sterling area to a person resident neither in the sterling area nor in any of the territories named in the Schedule to this Order is exempted from the restrictions imposed by Regulation 3C of the Defence (Finance) Regulations.

Nos. 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1347, 1348. *Restriction of Payments Orders.*

These Orders prescribe the manner of payment of amounts due to residents in certain territories, and the manner in which exports to those territories must be paid for. They apply respectively to the Argentine; Belgian Congo and Ruanda-Urundi; Brazil; Canada and Newfoundland; Netherlands East and West Indies; Rumania; Sweden; Switzerland; U.S.A., etc.; Portugese Empire; and Hungary.

(See ACCOUNTANCY, August, p. 299.)

No. 1442. *Order in Council adding Regulation 7A to the Defence (Finance) Regulations, 1939.*

A note-issuing bank in Scotland or Northern Ireland may keep its minimum holding of coin and Bank of England notes at more than two of its offices.

No. 1484. *Order in Council amending the Defence (Finance) Regulations, 1939.*

Some amendments are made in the Regulations dealing with restricted securities and the surrender of gold and foreign currency to the Treasury, chiefly in order to define the residential status of persons in the United Kingdom.

(See ACCOUNTANCY, August, p. 299.)

MACHINERY AND PLANT

No. 1363. *Machinery and Plant (No. 2) Order, 1940.*

A few amendments are made in the Machinery and Plant (Control) Order, 1940 (No. 875), and a revised Schedule is substituted for the original list of machinery and plant affected.

(See ACCOUNTANCY, July, p. 276.)

PRICES OF GOODS

No. 1318. *Prices of Goods (Permitted Increase) (No. 3) Order, 1940.*

The factors to be considered in determining the permitted increase in the prices of goods include levies and rebates under schemes approved by the Board of Trade for the maintenance and extension of home and export trade.

(See ACCOUNTANCY, August, p. 300.)

SUPPLIES

No. 1320. *Limitation of Supplies (Miscellaneous) (No. 3) Order, 1940.*

The exemption of small businesses does not apply to businesses started after July 23, 1940. Separate departments in respect of which separate records have been kept may in appropriate cases be excluded from registration. Amendments are made in the Schedule of controlled goods, chiefly in the direction of further exemptions.

(See ACCOUNTANCY, July, pp. 267 and 276.)

TRADING WITH THE ENEMY

No. 1214. *Order in Council amending the Defence (Trading with the Enemy) Regulations, 1940.*

Nos. 1219 and 1476. *Trading with the Enemy (Specified Areas) Orders, 1940, Nos. 1 and 2.*

The Board of Trade may by order direct that the Trading with the Enemy Act shall apply to any specified area as it applies to enemy territory. The Board has directed that it shall apply to unoccupied France, Algeria, French Morocco, Tunisia, and Monaco.

No. 1381. *Order in Council amending the Defence (Trading with the Enemy) Regulations, 1940.*

The Treasury may direct a custodian to pay or transfer, to persons specified in the direction, money or property which would normally have been payable to an individual or a body in enemy territory not under the sovereignty of a Power with whom His Majesty is at war.

No. 1289. *Order in Council amending Regulation 3 of, and adding Regulation 3A to, the Defence (Trading with the Enemy) Regulations, 1940.*

The Board of Trade may prohibit the carrying on of a business controlled by enemies or persons associated with enemies, or order it to be wound up, and may appoint a controller for the purpose. The distribution of assets is to follow the rules applicable to the liquidation of a company, except that special rules are laid down in respect of amounts due to enemies.

No. 1419. *Trading with the Enemy (Insolvency) Order, 1940.*

The Custodian of Enemy Property is given the rights which would normally vest in enemy creditors in proceedings for liquidation, bankruptcy, or deeds of arrangement. Debtors, liquidators and trustees must furnish relevant information.

Nos. 1368 and 1468. *Trading with the Enemy (Specified Persons) (Amendment) Orders, 1940, Nos. 9 and 10.*

Previous Specified Persons Orders are revoked and a new Schedule is given of about 1,800 persons in neutral countries who are to be deemed to be enemies.

No. 1468 makes further additions.

(See ACCOUNTANCY, August, p. 300.)

UNEMPLOYMENT INSURANCE

No. 1456. *Unemployment Insurance (Emergency Powers) (Amendment) (No. 3) Regulations, 1940.*

The Unemployment Insurance (Emergency Powers) Regulations, 1939, are amended to allow non-manual workers earning between £250 and £420 a year, who are brought within the scope of unemployment insurance by the Unemployment Insurance Act, 1940, to be covered by certificates of excepted employment.

(See ACCOUNTANCY, November, 1939, p. 41 and this issue, p. 320.)

WAR RISKS INSURANCE

No. 1288. *Defence (War Risks Insurance) (No. 3) Regulations, 1940.*

The insurance of shipping against war risks is extended to cover liability to pay compensation for death or injury of masters and crews of foreign ships.

No. 1410. *War Risks (Commodity Insurance) (No. 7) Order, 1940.*

An addition is made to the optional provisions which may be included in a policy, to provide for variation week by week of the sum insured. After the happening of any loss or damage the limit of liability is to be correspondingly reduced.

No. 1467. *War Risks (Commodity Insurance) (No. 8) Order, 1940.*

The rate of premium under the commodity insurance scheme is continued at the rate of 5s. per cent. per month for the three months beginning September 3, 1940.

(See ACCOUNTANCY, August, p. 300.)

LAW**Legal Notes****COMPANY LAW**

Company Minute Books—Conclusive evidence—Companies Act, 1929, Section 117 (3).

Decisions on the construction of the words "conclusive evidence" as used in Section 117 (3) of the Companies Act have established that these words were used in their natural meaning. In *Kerr v. Moltram, Ltd.* (1940, 2 All E.R. 629), a novel point was raised affecting a company's minutes. The plaintiff claimed specific performance of an alleged contract between himself and the company. He could only do so by proving that the company's minutes of a meeting were not a *bona fide* record of the proceedings, and had been fraudulently written up. By Article 114 of the company's Articles, the minutes recorded in the minute book and signed by the chairman were to be "conclusive evidence without any further proof of the facts therein stated." Simonds, J., found for the defendant company, holding that the minutes were evidence which could not be displaced, and they recorded that no contract as alleged by the plaintiff was entered into.

EXECUTORSHIP LAW AND TRUSTS

Charitable Gift by Will—"For the benefit of the choir"—General Charitable Intent.

The difficulties caused by testators who make charitable bequests without careful drafting were illustrated in the recent case of *Re Royce, Turner v. Wormald and Others* (1940, 2 All E.R. 291). The testator by his will gave a legacy of £1,000 as well as a one-fifth share of his residuary estate to the vicar and churchwardens of a church "for the benefit of the choir." "The choir" might mean a certain part of the fabric of the church, though in this will it was clear that was not the intention. Or it might mean an absolute gift to the persons who formed the choir at the date of the will or of the testator's death. That construction was suggested in argument and rejected. Simonds, J., found it was a gift for the advancement and improvement of the musical services in the church by means of the choir. An authority was quoted to show that Lord Hardwicke, L.C., decided that in 1736 it was contrary to the constitution of the Church of England to have choristers in parochial churches. Simonds, J., said that in 1940 it was impossible to find any illegality in having a choir in a parochial church. The present gift, being for the advancement of religion, was clearly charitable. The testator had indicated a general charitable intent, and as there would probably be a greater sum available than was required for maintaining the particular choir, it was directed that a scheme be settled for establishing the charity for the advancement of religion through musical services.

Will—Residuary gift—Trust for benefit of Bank Staff—Valid Gift.

In *re Taylor* (1940, W.N. 151), a testator gave the residue of his estate in trust for the Midland Bank Staff Association, Liverpool and District Association, to be administered according to a constitution and rules already operative. The objects of the fund included "to render financial assistance to past and present members of the staff of the Midland Bank, particularly those who have been or are employed in Liverpool and District branches, or their dependants, who may be in genuine difficulties through sickness or other misfortune." It was argued that it could not be ascertained what was meant by "the past and present members," and, the fund being given on a non-charitable trust,

the terms were so vague and uncertain that the gift failed. Farwell, J., declared the gift valid, although he doubted whether all the objects in the rules were charitable. The mere difficulty of ascertaining past and present members did not render the gift invalid, but it was a gift to a fund which might be dealt with according to the wishes of the body for whom it was constituted. The whole concern could be wound up within the rules and the fund distributed among the members.

Friction between Trustees—Appointment of Public Trustee by Court—Trustee Act, 1925, Section 41 (1).

Unless he has been guilty of breach of trust, the Courts are reluctant to displace a trustee who wishes to continue to act. There are circumstances, nevertheless (e.g., constant friction between two trustees), when a Court will remove an honest trustee. In *Re Henderson, Henderson v. Henderson* (1940, 3 All E.R. 295), a testator died in 1932, and his trustees were his widow (the respondent), who was tenant for life, and his niece (the applicant), who was entitled to the residuary estate in reversion. The two trustees acted amicably together until the end of 1938. Then friction arose, and the respondent asked that the Public Trustee be appointed in her place. She subsequently changed her mind. The applicant asked that pursuant to the Trustee Act, 1925, Section 41, the Public Trustee might be appointed a trustee of the will in place of the respondent to act jointly with the applicant.

Bennett, J., held that the Court had jurisdiction within that Section to comply with the request of the applicant, provided it was satisfied that it was expedient to do so. If there had been a dispute as to the facts, the Court would not consider it expedient. Here there was no such dispute, and accordingly the Public Trustee was appointed in place of the respondent.

EMERGENCY LEGISLATION

Loss in partnership business attributable to war—No evidence of debtor's private means—Information required.

The principles determining the right of a debtor trading in partnership to relief under the Courts (Emergency Powers) Act, 1939, were considered by the Court of Appeal in *Landon v. Huberman* (1940, 2 All E.R. 66). The defendants sought relief from payment of rent under a charge in respect of business premises occupied by them. The defendants carried on the business in partnership. Scott, L.J., delivering the judgment of the Court of Appeal, emphasised that the defendants were required to adduce evidence not merely of the assets and liabilities of the business, but of their own personal assets and liabilities. It was clear that the business had been adversely affected by the war. But the defendants had failed to show that their own means were insufficient to make good the deficiencies of the business.

No bank pass-book had been produced nor any affidavit by an accountant who had investigated the defendants' private affairs. In view of the insufficiency of evidence, the Court of Appeal refused to overrule the judgment of Tucker J. and no relief was given.

"Unable immediately to do so"—Debtor need not show that at some future time he will be able to meet whole liability.

In *Brandon v. Reidy*, 1940 (2 All E.R. 474), it was argued unsuccessfully before the Court of Appeal that in Section 1 (4) of the Courts (Emergency Powers) Act,

1939, the words "is unable immediately (to pay) . . ." implied that Parliament was contemplating only the case of debtors who cannot at the moment pay, but who will be able to in the future; that the Act provided a moratorium and not a release for all time. Therefore, it was argued, where there is no prospect of a future payment, the Court has no jurisdiction to grant relief. The Court of Appeal rejected that narrow construction, which would seriously circumscribe the beneficial object which the Act intended. In the words of Goddard, L.J.: "The presence of the word 'immediately' results in no more than this. If the debtor shows he cannot pay at the time judgment is obtained against him, then he can ask the Court for relief. While the Court can take into consideration a great many matters, as was shown in the case *A. v. B.*, it is not incumbent upon the debtor to show that at any particular time, or indeed at any time, he will be able to pay. The Court must exercise its discretion in the best way it can, bearing in mind that it is always open to either party to go back to the Court and ask for a review of the circumstances and a new order to pay."

Mortgage—Appointment of Receiver—Mortgagor cannot contract out of Courts (Emergency Powers) Act, 1939.

In *Soho Square Syndicate, Ltd. v. Pollard & Co., Ltd.*, 1940 (2 All E.R. 601), Farwell, J., decided the important point that parties to a mortgage cannot contract out of the restriction provisions in the Courts (Emergency Powers) Act, 1939. On September 25, 1939, the mortgagor, in ignorance of the provisions of the Act, consented to his mortgagee's appointment of a receiver. The sanction of the Court was not obtained. He subsequently claimed a declaration that the appointment was illegal and void. Farwell, J., held that the Act of 1939 was designed to protect the public and that therefore there could be no contracting out. Despite the consent of the mortgagor, the appointment of a receiver without leave was void. Farwell, J., said that a power once taken away from a person by Act of Parliament could not be recreated and re-vested in that person merely by the other person's consent. There was admittedly no provision in the Act prohibiting contracting out, but the legislation did not deal merely with private rights but was concerned with public policy. In the last war Judges allowed contracting out from the rather similar provisions of the corresponding Act then in force. But since then there had been an enormous growth in building society mortgages. Large numbers of mortgagors had little or no knowledge of law and had little or no opportunity of obtaining legal advice.

MISCELLANEOUS

Banker—Undated cheque—Bills of Exchange Act, 1882, Section 20.

By the Bills of Exchange Act, 1882, Section 20, the payee in whose favour an undated cheque is drawn has *prima facie* authority to fill in the date; but by common law he may do so within a reasonable time only. In *Griffiths v. Dalton* (1940, W.N. 227) the plaintiff claimed from the legal personal representatives of the defendant £750, on an undated cheque drawn by the defendant in favour of the plaintiff in August, 1931. Nothing was done with the cheque until February, 1933, when the plaintiff inserted a date, namely, February 20, 1933. He then presented the cheque, which was dishonoured. The action was not proceeded with until 1939, and the defendant had died during the cause of the action.

Macnaghten, J., gave judgment for the defendant. He dismissed the contention that the date on a cheque was immaterial, and he was satisfied that the plaintiff had not inserted the date within a reasonable time.

PIECE-GOODS AND MADE-UP GOODS (Cotton, Rayon and Linen) ORDER, 1940: LIMITATION OF SUPPLIES (Miscellaneous) ORDER, 1940

SUPPLIES TO SHIPS

In order to facilitate the rapid supply of controlled goods to ships, the Board of Trade have issued Open General Licences under the provisions of the Piece-Goods and Made-Up Goods (Cotton, Rayon and Linen) Order, 1940, and the Limitation of Supplies (Miscellaneous) Order, 1940.

Registered persons may supply certain controlled goods without restrictions to persons whose names are entered in a list of ships' stores dealers, compiled by the Ministry of Shipping, and on certain conditions to shipbuilders or for ships' stores.

The licences refer to all goods (other than linen) controlled by the Cotton, Rayon and Linen Order and to certain goods described in the Schedule to the Limitation of Supplies (Miscellaneous) Order, 1940.

SUPPLIES TO HOSPITALS, ETC.

The Board of Trade have issued Open Licences under the Limitation of Supplies (Miscellaneous) Order, 1940, and the Piece-Goods and Made-up Goods (Cotton, Rayon and Linen) Order, 1940, the effect of which is to permit for the time being supplies of certain controlled goods to be made without restriction by registered persons to the following institutions:

All hospitals belonging to local authorities and such voluntary hospitals as are included in the Emergency Hospital Scheme of the Ministry of Health.

Auxiliary hospitals and convalescent homes established by the War Organisation of the British Red Cross Society and the Order of St. John of Jerusalem on behalf either of the War Office or of the Ministry of Health.

The controlled goods which may be supplied under the Licence without restriction to these bodies are (a) all goods controlled under the Piece-goods and Made-Up Goods (Cotton, Rayon and Linen) Order, 1940, and (b) the following kinds of goods controlled under the Limitation of Supplies (Miscellaneous) Order, 1940:—

All goods described in paragraph 6.

The following goods described in paragraph 7:—Felt base floor coverings.

All goods in paragraph 8.

The following goods described in paragraph 9:—Office and other furniture; shade, bowl and reflector light fittings; cutlery; spoons and forks; domestic hollow-ware of metal.

The following goods described in paragraph 17:—Laundering machines; vacuum cleaners; refrigerators; electric appliances.

Controlled goods of these kinds supplied on or after the twenty-sixth day of August, 1940, under these licences need not be counted against the suppliers' quota, although supplied to unregistered persons, but may be supplied free of all restriction. All controlled goods supplied before the date of these licences, namely, the twenty-sixth day of August, 1940, are not affected by these licences, and must be counted against the suppliers' quota of permitted supplies.

A full list of the goods referred to is to be found in the Explanatory Memorandum relating to the Limitation of Supplies (Miscellaneous) Order, 1940.

BOOKS RECEIVED

Loose-leaf War Legislation, 1940. Edited by John Burke. Parts 6, 7, 8. (Hamish Hamilton (Law Books), Ltd., London. Price 5s. net each part.)

Principles of Company Law. By J. Charlesworth, LL.D. Third edition. (Stevens & Sons, Ltd., and Sweet & Maxwell, Ltd., London. Price 7s. 6d. net.)

Formulae for Use in Connection with the Valuation of Mineral Properties. By H. W. Naish, M.B.E., A.C.A., Finance and Establishment Officer, Coal Commission. (Iron and Coal Trades Review, London. Price 10s. 6d. net.)

FINANCE

The Month in the City

Revival in Equities

Recovery from the very low levels reached at the end of June continued throughout August. There was, however, this difference: that whereas in July gilt-edged securities led the movement, August saw a revival of interest in the formerly friendless equity market. Indeed, the movement away from fixed-interest securities was so far broadened as to include the conventionally speculative mining groups, notably Kaffirs. This is evidence that the improved demand for industrials is to some extent a search for an inflation hedge, though the July budget was soon forgotten as a specific market factor. To a far greater extent the movement represents a search for higher yields, an attempt to maintain income in the face of low interest rates and rising taxation. It would not have been possible, however, but for steadily improving confidence in this country's power to resist invasion. It is, in fact, very significant that the recovery continued throughout the first week of intensive air attacks on this country, the heavy losses inflicted on the attacking aircraft providing not only grounds for general encouragement but also an indication that fears of crippling damage to our industrial capacity had been greatly exaggerated. From 49.4 on June 26 the *Financial News* index steadily recovered to 63.4 on August 22 before reacting slightly. The following table shows the month's change in some typical counters. It will be observed that the application for increased rail charges proved anything but a bull point for the shares, owing to fears that the agreement may be fundamentally revised at the end of the year:—

	Aug. 26	July 24	Change
War Loans 3½% ...	100½	99½	+ 1½
Nat. Def. 2½% ...	101	100½	+ ½
G.W. Ord. ...	28	31½	— 3½
Transport C ...	28½	30	— 1½
English Elec. ...	25/-	22/6	+ 2/6
Guest, Keen ...	20/9	18/9	+ 2/-
Vickers ...	13/1½	12/6	+ 7½
Hawker Siddely ...	9/9	8/-	+ 1/9
Barker, John ...	26/3	26/3	—
United Serdang ...	2/1½	1/10½	+ 3d.
Crown Mines ...	12½	12½	—
West Wits ...	47/6	42/6	+ 5/-
Roan Antelope ...	11/9	10/6	+ 1/3

The Denham Project

The beginning of air raids in the London area has coincided with renewed discussion of the arrangements for a transfer of the Stock Exchange to Denham in case of emergency. Undoubtedly the move would be made only in the last resort if general evacuation were ordered. To judge by the somewhat limited facilities which Denham can offer this is apparently just as well. An interval of about three weeks would probably be required before the alternative arrangements would begin functioning. Even then, the limited office accommodation and telephone service would prevent any imitation of the present position, in which innumerable brokers' offices are concentrated within a small area in close

physical proximity to the House. Many brokers would apparently be expected to operate from emergency addresses in neighbouring towns, such as Uxbridge; in Denham itself even jobbers would require to share rooms. On the other hand Denham, unlike many alternatives, would offer reasonable dealing space in the shape of a large film studio. Nevertheless, there is no pretence that it would be possible to reconstruct a market on the present scale and lines; indeed, under the conditions in which evacuation would be decided upon it is doubtful whether this would have a great deal of point, for a lengthy period at least. The essence of the scheme, in fact, is to preserve some kind of negotiability, especially for Government securities, by affording a mechanism for the clearing of bargains. This could be provided by quite a small clerical staff, a fact which has led to suggestions that much of the clerical work at present conducted by individual brokers could be eliminated by means of a central organisation. In reply, however, it is argued that one of the main functions of the broker, to act as an investment adviser to his clients, necessitates extensive records of each investor's deals and holdings.

Dollar Stocks Grievances

The arbitrary methods adopted by the authorities in the recent mobilisation of dollar stocks have given rise to considerable irritation in the City. It will be recalled that in July it was officially announced that dollar securities held for their customers in the safe deposits of the banks had been shipped to Canada without the knowledge of their owners. During August, the same procedure has been applied to securities held by brokers. That the shipments would have been jeopardised by any previous announcement of the authorities' intentions is clearly recognised. What has aroused some resentment is that institutions acting in a fiduciary capacity, like banks and stockbrokers, should have been required to part with property held on trust without receiving in exchange so much as a formal receipt which could have been handed to the owners in lieu of their securities. The intention is to issue deposit receipts in due course, but even then no transactions are to be allowed between residents. This again is resented since it prevents investors from realising their assets for no better reason, apparently, than to save the authorities a little trouble. The resulting destruction of the London market in these stocks is aggravated by the inclusion as specified securities of many stocks whose only market is in London and which could not, in practice, be realised abroad, having been placed within the "required" category only on account of some formal option for payment in another currency. This is another cause of discontent. Finally, it is considered anomalous, if the object of the mobilisation is to safeguard these overseas assets for the nation, that investors who have retained securities in their own possession should not have been required to hand them over to the authorities for disposal. Even the due process of requisitioning by successive vesting orders tends to create anomalies between different groups of holders. In stepping outside that authorised procedure and embarking on an official rifling of safe deposits, the authorities might well have shown greater tact and greater regard for individual rights and traditional forms.

Points from Published Accounts

War-time Taxation

It has frequently been argued in these columns that a standardised method of accounting for taxation would be advantageous to shareholders. The incidence of war-time taxation lends point to this view. Of the various methods of showing a company's liability to taxation, the most informative is to put down the total as a charge against profits, thus leaving earnings for dividends on a net basis, after deduction of all taxation, including the tax to be deducted from dividend warrants. This method has advantages in peace-time; in war-time, it throws a vivid light on the actual tax liability which the company, as a profit-earning entity, has to meet.

These reflections are suggested by a study of the recent reports of Handley Page, Limited, and Bristol Aeroplane Company. The former company's total profits have increased from £489,712 to £951,451. Against the latest profits a sum of £730,590 is charged for general expenditure, including salaries and charges at works, taxation, etc. The corresponding sum in 1938 was £296,273, after crediting £30,000 income tax reserve no longer required. Evidently the profit and loss account has borne a substantially heavier tax charge, and there would seem to be good reason for disclosing the actual sum to shareholders. In passing, it may be noticed that the Handley Page directors follow an unusual dividend policy. They pay an interim dividend of 10 per cent. gross, and a final dividend of 20 per cent. tax-free. A somewhat similar arrangement was formerly followed by Boots Pure Drug Company, but it was abandoned after the introduction of moral dividend limitation, since a given tax-free dividend rate grosses up to a higher less tax rate when the standard rate of income tax rises.

In the Bristol Aeroplane accounts the part played by taxation as a limiting factor in distributable profits is brought home in a more direct fashion. From the net trading profit of £989,702, after depreciation, the sum of no less than £635,000 is set aside for E.P.T., N.D.C., and Income Tax. The trading profits in 1938 were about £300,000 lower at £687,392, but the tax provision was £350,000 lower at £285,000, and the actual cash paid out in dividends for 1939 (on an increased ordinary capital) is £199,650 against £244,687 in 1938. The Bristol Aeroplane accounts are so framed that shareholders can see these blunt facts without difficulty. They could, however, be improved by the inclusion of comparative figures.

Watney in Detail

The report of Watney Combe Reid and Company gives a generous amount of detail regarding the finances and trading of the business. For example, a considerable number of trading charges—carriage, rates, taxes, and insurance, cooperation, etc.—appear in detail on the debit side of the profit and loss account, and in view of the well-known propensity of directors to hide such items from shareholders, on the ground that trade competitors might profit by the information, the Watney directors deserve the thanks of their shareholders.

Yet despite these itemised charges, and the scrupulous detail exhibited in the balance sheet, the accounts are not easy to read. This is a difficulty not so much of content as of arrangement and grouping. To take the reserve accounts, as an example: these would look far more impressive if they were grouped in a separate compartment on the liabilities side of the balance sheet. The assets, too, listed in somewhat unorthodox fashion, with property followed by loans, stores, investments,

cash and then stocks, would be even more illuminating than at present if their arrangement were rationalised. Detailed information, such as the Watney report provides, is always welcome. When it is associated with clear display, it is doubly welcome.

Tootal Broadhurst Lee

Tootal Broadhurst Lee is a progressive textile company, which has earned consistently good profits by developing a large trade in branded fabrics. Its financial structure is simple; there is no system of subsidiary companies to complicate its accounting. Shareholders have no reason for complaint with the results achieved by the company. But they may feel that, from an accounting point of view, the company might match its trading progress in its annual report.

In the first place, comparative figures could easily be included. Secondly, the profits figure is struck after a number of charges and adjustments which render it difficult to obtain an accurate impression of the trading experience of the year. The total figure shown in the profit and loss account represents trading profit after deducting all general charges, management expenses, salaries, directors' and managers' salaries and commissions, employees' bonus, Excess Profits Tax, depreciation, bad and doubtful debts, and contingent provisions, and for none of these items is a figure given. This rather formidable catalogue includes some items which the directors would be unwilling to disclose; some, like taxation and depreciation, which a large number of firms invariably show; and the contingency provision is a discreet method of controlling fluctuations in profits whose advantages are arguable. Such five-line descriptions of profit figures are surely rather outmoded to-day.

Notes and Queries

The change in management of Union Cinemas, Limited, a year or two ago drew attention to the financial difficulties of the group. The reports of the company issued by the new board have been characterised by a salutary degree of frankness which shareholders, despite their losses, must find welcome. At the end of 1937, the new board revalued the assets of the parent company and its subsidiaries and associated companies. The result was to reduce the book value of fixed assets by £3,192,629, which was immediately transferred to suspense account. The balance on this account as at December 31, 1939, amounted to £3,114,355, and the auditors tersely observe that no value attaches to this item. The auditors of the subsidiary companies also provide a good deal of comment which is given in the statement under Sections 126 and 128 of the Companies Act. Their fixed asset items are qualified, and, ironically, the auditors' report on the balance sheet of one subsidiary company is qualified as to the value of a loan of £45,000 due by the parent company.

In the light of the various guarantees given by the parent company and noted among the contingent liabilities, however, the size of this loan does not appear remarkable. The parent company has guaranteed debenture obligations of subsidiary and associated companies totalling £898,922, and sinking fund premiums relating to them; some £90,250 preference shares (the rate of dividend, incidentally, is not stated, though it would appear to be relevant); bank overdrafts totalling £156,180; and a commitment of £35,000 or more by a subsidiary to construct a cinema.

Financial strain always shows its most startling effects

in cases of interlocking interests and "downstream finance." It is in such cases that the argument for consolidation of accounts appears strongest, for an early indication of the weakening position of an entire group may prevent further weakness from occurring. The cost of financial rehabilitation, which the present board of Union Cinemas must some day face, would be correspondingly reduced.

LETTERS TO THE EDITOR

E.P.T.—Diminution of Earned Income

DEAR SIR,—Referring to the Taxation Notes on Diminution of Earned Income in the August issue of ACCOUNTANCY, my experience is that not only must the claim be founded on the total earned income, but also that a wife's earned income must be added to the husband's earned income for the purpose of claim. It therefore frequently happens that a claim cannot be substantiated as the wife is in receipt of a salary which has not suffered in consequence of the War, although the husband's earned income from his business is reduced owing to decreased turnover as a direct result of War conditions.

Yours faithfully,

J. H. WHITE.

London,

August 2, 1940.

[The total earned income of a husband includes that of the wife, and our reader's experience is, therefore, in accordance with the Act.—EDITOR, ACCOUNTANCY.]

E.P.T.—Substituted Standard

DEAR SIR,—In a previous issue discussing the Substituted Standard for E.P.T. in the case of a depressed business, you refer to capital on a "going concern basis." I take it this would represent in, for example, a partnership, the amount standing to the credit of capital account per the balance sheet at a given date. This, of course, differs from the E.P.T. method of calculation. I should therefore be obliged if you would state in a future issue if this is so.

Yours faithfully,

J. W. LUSSIGNEA.

London,

August 5, 1940.

[The amount standing to the credit of capital account is not necessarily the going concern value of the business; indeed, it will rarely be so. It must be a question of fact what the business is worth on a given date; goodwill will have to be valued as well as the other assets. A going concern valuation is also required by Section 38 of the Finance Act, 1930 (see now Section 50 of the Finance Act, 1940) in connection with Estate Duty, and the same principles should be applied (subject, of course, to the differences as regards deductions). The value is a matter of accountancy, not of law; but if there is a "badwill," the going concern value cannot, it is thought, be less than the net break-up value of the assets.—EDITOR, ACCOUNTANCY.]

IN PARLIAMENT

COMPANIES ACT (MORTGAGES)

Major Lloyd George, in answer to a question by Sir R. Blair, said there was no prospect in present circumstances of any amendment of the Companies Act, 1929. He noted for future consideration the suggestion that the issues raised in the *Knightsbridge Estates Trust* case should be clarified by legislative enactment, to avoid other disputes about a mortgage being a debenture under Sections 74 and 380.

GOVERNMENT DEPARTMENTS (COMMODITY COSTS)

Sir Kingsley Wood stated that the Excess Profits Tax would not be permitted to result in increased costs to the State. The tax did not remove the incentive to economical production in fixed-price contracts. In other cases he relied on the normal system of price-fixing and of supervision of work in progress.

WAR DAMAGE (COMPENSATION)

It has been announced by the Chancellor of the Exchequer that persons whose property has been damaged by enemy action should claim compensation under the Government's scheme for payments after the war. Forms for claims are obtainable in Great Britain at the town hall or office of the local authority, or at the office of the local district valuer, Inland Revenue Department, and in Northern Ireland at the office of the Commissioner of Valuation, Armagh House, Ormeau Avenue, Belfast. Applications for advances in respect of damaged furniture and clothing, under the arrangements described in a Professional Note in our July issue, should be addressed to the local officer of the Assistance Board. An official leaflet on the subject is in preparation.

REQUISITIONED PREMISES (COMPENSATION)

The Financial Secretary to the Treasury (Captain Crookshank) said that the Departments concerned had been authorised to make substantial payments on account pending a final settlement of compensation in respect of occupied premises. The staff engaged on the work in the War Office had recently been augmented, and the staffs of other Departments would be augmented if necessary.

EVACUATED AREAS (BANK OVERDRAFTS)

Captain Crookshank said he was advised that the moratorium provisions of the Defence (Evacuated Areas) Regulations would not apply to bank overdrafts unless they were secured or charged on unoccupied premises in the areas. The customer might in some circumstances be protected by the extension of the Courts (Emergency Powers) Act effected by paragraph 6 of the Regulations.

MINERS' INCOME TAX CLAIMS

Last month an Executive Committee of the National Union of Scottish Mine Workers submitted a memorandum to the income tax authorities, detailing claims for additional income tax allowances for miners. Claims for extra allowances are based on the increased wartime cost of boots and clothing, lighting equipment, travelling expenses to and from collieries and costs of pithead baths. It was stated that the authorities were favourable to the principle of making allowances for payments made by pit workers in respect of check-ware dues and also for Trade Union and National Health Insurance contributions, but the report does not disclose whether the Department went any further than this.

Payments on Account of Taxation Liabilities

The following letter has been sent by the Association of British Chambers of Commerce to the Chancellor of the Exchequer.

8th August, 1940.

SIR,—

I have the honour to inform you, by direction of Sir Ronald Matthews, the President of this Association, that at the monthly meeting of the executive council held yesterday, it was reported that many firms and companies would be willing to free funds for the purpose of making payments in advance of taxation liabilities, provided they were assured that such advance payments would not react unfavourably on their capital position for the purposes of excess profits tax. The executive council decided that representations should be made to you, and that you should be urged to make a public pronouncement to the effect that concerns making such advance payments would be in no worse position than they would have been had the funds in question remained with their bankers.

I am to suggest that one or both of the following methods might be found feasible:—

- (a) The 2½ per cent. National War Bonds, or a separate type of bond created for the purpose and to be available for subscription at par and bearing a modest rate of interest, to be accepted at par by the Exchequer at any time in payment of taxation liabilities of all kinds, together with interest accrued up to the due date of the liability. The intention would be that industrial concerns would apply to the subscription of such bonds moneys

which they would otherwise reserve and earmark for accruing taxation liabilities, and the official pronouncement asked for would be to the effect that any such bonds held by an industrial concern would be treated for all the purposes of the excess profits tax in the same manner as bank balances.

- (b) Arrangements to be made for the Exchequer to receive from industrial concerns deposits of moneys that would otherwise be earmarked for accruing taxation liabilities, such deposits to bear a rate of interest comparable with that allowed on bank deposits and to be drawn upon as taxation liabilities mature or as provisional payments on account may be arranged. The undertaking to be given by the Exchequer to be similar to that indicated under (a) above.

I am to add that from a number of inquiries which have reached the Association it is believed that arrangements of this nature, together with the assurance asked for, should result in substantial and early inflow of funds to the Exchequer.

I am to express the hope that the foregoing suggestion will commend itself to you.

I am, Sir,

Your obedient Servant,

(Signed) R. B. DUNWOODY,

Secretary.

To The Rt. Hon. Sir Kingsley Wood, M.P.,
Chancellor of the Exchequer,
S.W.1.

Society of Incorporated Accountants EXAMINATIONS

The Summer Examinations of the Society were held at the end of July. A large number of the candidates were shortly due for military service. The Society was fortunate in enjoying hospitality at Taunton School and at Sedbergh, where candidates were accommodated under comfortable conditions. It is desired to acknowledge the courtesy of the Headmaster of each school and of the staffs, who, with a number of members of the Society, afforded every assistance. The Hon. Treasurer of the Sedbergh School Mission, which is at Bradford, wishes to express his cordial thanks for a donation of £6 6s. contributed by those who were present at Sedbergh. The Examinations were also held at Glasgow, Dublin and Belfast, and in South Africa.

The next examinations of the Society of Incorporated Accountants will be held at Taunton School, Somerset, and the Technical College, Southport, and also at Glasgow, Dublin, Belfast, Cape Town, Johannesburg and Durban, on Thursday, Friday and Saturday, December 19, 20 and 21, 1940. The last date for receiving applications is Monday, October 14.

Forms of application and all information are obtainable from the Secretary of the Society at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

DISTRICT SOCIETIES

SOUTH WALES AND MONMOUTHSHIRE

Annual Meeting

The forty-fifth annual meeting of the Incorporated Accountants' South Wales and Monmouthshire District Society was held at Cardiff on July 26.

The President, Mr. Percy H. Walker, in submitting the annual report and accounts, said that, the educational and social activities of the Society had been restricted. At the same time it was a source of great satisfaction that so many

of the senior and student members were serving with H.M. Forces.

Mr. Percy H. Walker and Mr. E. Ewart Pearce were re-elected President and Vice-President respectively, and Mr. Tudor Davies was elected Hon. Secretary and Treasurer. Mr. J. D. R. Jones and Mr. Guy Ross were re-elected Hon. Auditors.

Annual Report

The Committee presents to the Members the report for the year ended March 31, 1940.

The Committee notes with pride the large number of members and students who are serving with H.M. Forces, and wishes them a safe and speedy return to their homes.

PRESIDENT AND HON. SECRETARY

After serving the Society as Hon. Secretary for seventeen years, Mr. Percy H. Walker retired from that office on March 31, 1939. As a mark of appreciation of his devoted and very beneficial services, the Committee unanimously elected Mr. Percy H. Walker as President.

At the outbreak of war Mr. Walker was appointed Regional Finance Officer for Wales under the Ministry of Pensions.

Mr. Ivor Davies was elected Hon. Secretary, but shortly after the outbreak of the war he was appointed Regional Finance Officer, under the Ministry of Pensions, for the North-Eastern Region of England, and consequently removed from the district. Mr. Tudor Davies was elected to fill the vacancy.

LECTURES

Owing to the war the educational and social activities were curtailed, but a number of lectures were held.

Attendances at these lectures, having regard to war conditions, were highly satisfactory.

EXAMINATIONS.

Eleven students of the District Society passed the Final Examination, and five the Intermediate.

STUDENTS' SECTION

The outbreak of war seriously affected the operations of both the Cardiff and Newport Students' Sections. Owing to

the large number of members who joined H.M. Forces, it became necessary to amalgamate both Cardiff and Newport Sections, and subsequently it was resolved that the activities of the Cardiff Section be suspended for the duration of hostilities, and that the management be vested in the present officers.

FORTHCOMING EVENTS

- Sept. 2 Manchester Manchester and District Society. Lecture by Mr. V. H. Bayley, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of series of three lectures), at 6.15 p.m.
- 3 Preston North Lancashire District Society. Lecture by Mr. V. H. Bayley, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of series of three lectures), at 6.15 p.m., at the Preston and County Club, Winckley Square, Preston.
- 4 Liverpool Liverpool and District Society. Lecture by Mr. V. H. Bayley, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of series of three lectures), at 6 p.m., at Liverpool Incorporated Accountants' Hall.
- 5 Newcastle-upon-Tyne Newcastle-upon-Tyne and District Society. Lecture by Mr. V. H. Bayley, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of series of three lectures).
- 10 Leicester Leicester and District Society. Lecture by Mr. V. H. Bayley, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of series of three lectures), at 6.30 p.m., at the Oriental Café, Market Place.
- 13 Norwich District Society of East Anglia. Lecture by Mr. V. H. Bayley, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of series of three lectures), at 4.30 p.m., at Royal Hotel.
- 17 Leeds Yorkshire District Society. Lecture by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., on "The Excess Profits Tax" (first of two lectures) at 6.30 p.m., at the Coffee Room, Hotel Metropole.

PERSONAL NOTES

Mr. W. G. Olliffe, formerly practising at Bush Lane, Cannon Street, has admitted into partnership his two sons, Mr. William C. Olliffe and Mr. Ernest C. Olliffe. The title of the firm will be W. G. Olliffe & Sons, Incorporated Accountants, and the practice will be conducted from a new address, 23, Budge Row, Cannon Street, London, E.C.4.

Messrs. Harry Day & Co., Rutland House, The Tything, Worcester, announce that Mr. G. W. Bull, F.S.A.A., has retired from the practice. Mr. A. Bowen, A.S.A.A., and Mr. H. J. C. Dawes, A.S.A.A., have been admitted into partnership following his retirement.

The practice carried on by Messrs. West, Williams & Salisbury at 4 and 6, Throgmorton Avenue, London, E.C.2, and at Wadebridge, Padstow, St. Columb, Camelford, Cornwall, has been transferred to and will be carried on by Messrs. C. H. Collins & Co., of 26, Molesworth Street, Wadebridge, Cornwall.

REMOVALS

Messrs. Wm. Clayton & Co., Incorporated Accountants, have removed their offices to temporary premises at Russell Chambers, 54, Merrion Street, Leeds.

Mr. C. P. McCarthy, M.Comm., Incorporated Accountant, announces that he has removed his office from 6, South Mall to 40, South Mall, Cork.

OBITUARY

CHARLES WILLIAM CLARK

We regret to record the death on August 5 of Mr. C. W. Clark, F.S.A.A., of Bristol. Mr. Clark became a member of the Society of Incorporated Accountants in 1916 and a Fellow in 1921. He had been in public practice in Bristol and Hereford for over twenty years. Since 1920 he had been a member of the Committee of the West of England District Society. For some years he held the office of Joint Honorary Librarian. The funeral on August 8 was attended by Mr. F. P. Leach, Vice-President, and Mr. F. A. Webber, Honorary Secretary, representing the District Society, and several other members were also present.

MICHAEL THEODORE ALEXANDER DONALD MACKAY

We learn with regret that Mr. M. T. A. D. Mackay, J. P., F.S.A.A., died on May 6. Mr. Mackay was a partner of Messrs. M. Donald Mackay & Oliver, of Sydney, N.S.W., where he had been in public practice as an Incorporated Accountant for 30 years. He became a member of the Society of Incorporated Accountants in 1899, after a period of training in the offices of Messrs. Gordon & Co. and Messrs. Manley, Lundy & Co., in the City of London. He remained with the latter firm till 1902, when he went to Australia, and spent some years in the employment of a professional firm in Sydney before entering into practice on his own account. For many years Mr. Mackay was a generous supporter of the Incorporated Accountants' Benevolent Fund.

ARTHUR HENRY MUIR

The profession in Northern Ireland has lost a well-known figure through the recent death of Mr. Arthur Henry Muir, senior partner of Messrs. Muir Addy, Belfast. The late Mr. Muir was born in Wigtownshire, Scotland, and received his early professional training in that country, where he qualified as a member of the Society of Accountants in Edinburgh. He subsequently became a member of the Institute of Chartered Accountants in Ireland and of the Society of Incorporated Accountants. For some 40 years he enjoyed high esteem in professional circles. Mr. Muir held office as President of the Institute of Chartered Accountants in Ireland, and in that capacity was present at International Congresses on Accounting. He was a member of certain advisory committees appointed by the Government of Northern Ireland. He was Hon. Treasurer of the Belfast Council of Social Welfare and Hon. Treasurer of the Irish Congregational Ministers' Provident Fund, and held other offices. In the war of 1914-18 he was a captain in the Royal Inniskilling Fusiliers, and more recently has taken active part in A.R.P. work in Belfast. We extend our sympathy to Mrs. Muir and her two daughters.

LEONARD WILDE

Mr. Leonard Wilde, A.S.A.A., Director and General Manager of News of the World, Ltd., died in July at the age of 60. Mr. Wilde was trained in the office of Messrs. Craig, Gardner & Harris. He had been associated with the *News of the World* since 1907, a year after his admission to membership of the Society of Incorporated Accountants. After many years as Accountant and Secretary, he became a director of the company in 1933, and General Manager in 1935. He founded the staff pensions and welfare scheme and was almost wholly responsible for the promotion of the sports club.

NEAR THE BRITISH MUSEUM

KINGSLEY HOTEL

Bloomsbury Way, London, W.C.1

Telephones in all Bedrooms. Numerous Private Bathrooms.
Food of the best quality.

Bedroom, Bath and Breakfast from 9/6 per night

INCLUSIVE TERMS ON APPLICATION

Telegrams: "BOOKCRAFT, LONDON"

Telephone: HOLBORN 3646 (8 lines)

THE OCEAN

ACCIDENT and
GUARANTEE
CORPORATION, LIMITED

ADMINISTRATION }
RECEIVERSHIP } BONDS
CUSTOMS }
FIDELITY GUARANTEES

SECURITY



SERVICE

LOST DOCUMENTS
DEFECTS IN TITLE
MISSING BENEFICIARIES
FORGED TRANSFERS

Head Office: 36-44, MOORGATE, LONDON, E.C.2

COMPANY SERVICE

*A Complete Service in connection with the
Incorporation, Management & Winding Up of Companies*

§ Companies registered, and Annual and other Returns lodged with the Registrar of Companies. § Searches conducted at all Registries and Public Departments and information accurately extracted and copies of Documents obtained. § A wide range of Company Seals and other requisites supplied. § Trade Marks and Designs Registered. Sketches furnished. § Jordans publish standard works which are of acknowledged authority on company law and practice and on commercial subjects. § Lists of company forms, registers, share certificates, etc., and a complete catalogue of Jordan publications will be sent on request.

JORDAN & SONS, Limited

116 CHANCERY LANE, LONDON, W.C.2

City Branch: 13 BROAD STREET PLACE, E.C.2 (Adjoining Broad Street Station)

LATEST RESULTS

December 1939 S.A.A. Examinations

The outstanding merit of the training provided by The British College of Accountancy is again proved by the results secured by its Students in the recent Intermediate and Final S.A.A. Examinations, viz.:

FIRST PLACE INTER.
Third Place Inter.
Fourth Place Final

45% OF THE TOTAL INTERMEDIATE AND FINAL PASSES

Fees Temporarily Reduced

The British College of Accountancy
 82, Coleman Street, London. E.C.2

TAKE COVER

Now is the time to safeguard your Clients' interests by recommending conversion to Limited Liability.

Our sixty years active practical experience in Company formation is an assurance to the Profession that work entrusted to us will receive expert and individual attention.

Our reputation and continued Goodwill is of true value to us AND our many Clients.

Alfred H. Atkins Ltd.

27 & 28 Fetter Lane,
London, E.C.4.

CENTRAL
1669

CENTRAL
1280

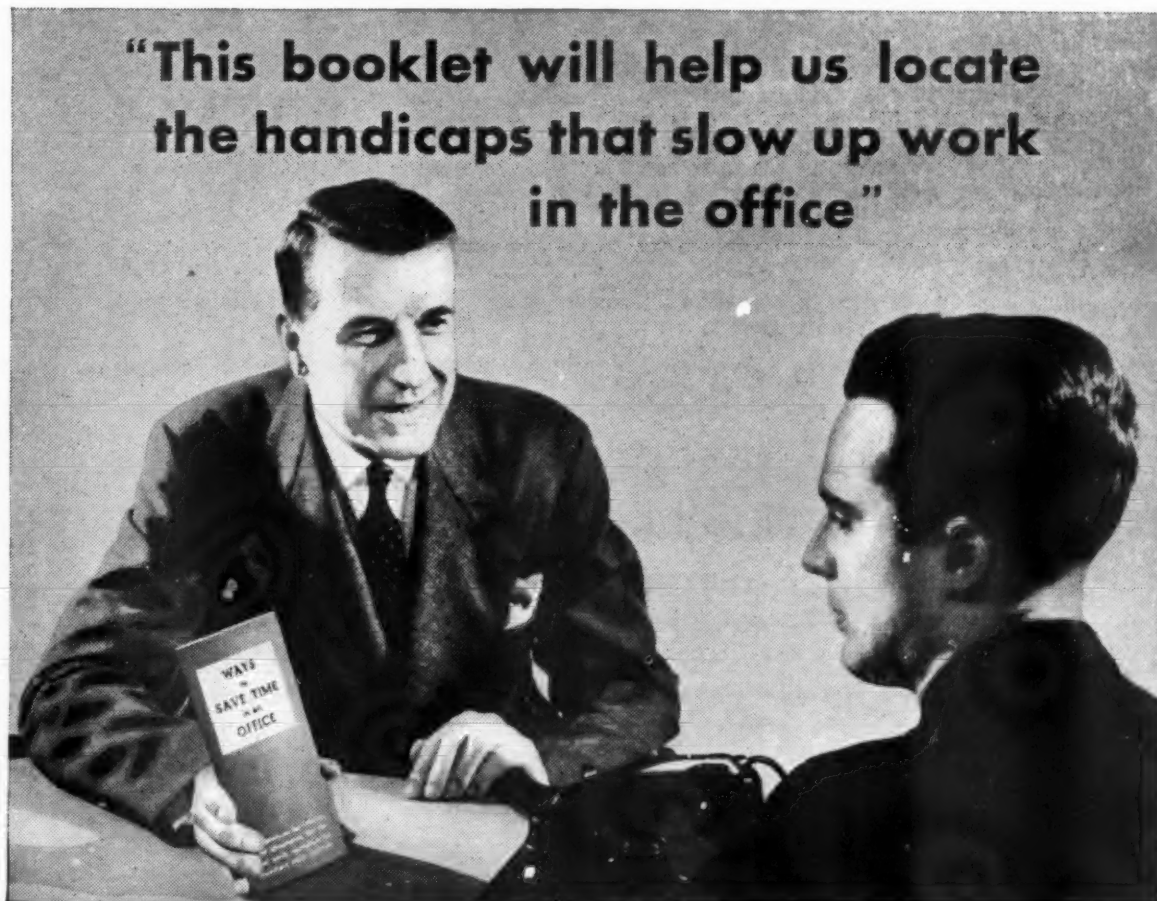
VALUATIONS ASSESSMENTS AND AUCTIONS

OF WORKS
 FACTORIES
 MILLS ETC.

FOR SALE
 INSURANCE
 FINANCIAL
 PURPOSES

JOHN FOORD & Co
39 VICTORIA St., LONDON, S.W.1

Phone: ABBEY 4432



Thousands of executives are saving time and cutting costs by eliminating the handicaps that prevent employees from doing their work easily and quickly. These handicaps can be located only by a practical desk-to-desk survey that may reveal expensive bottle-necks, wasteful peak periods, unnecessary duplications of records and many other needless and costly operations.

To assist you in making such a survey in your own office, Burroughs offers you a booklet entitled "Ways to Save Time in an Office." It contains more than a score of definite and practical suggestions. You can get your copy by 'phoning your nearest Burroughs office. Or write direct on your own letterhead.

BURROUGHS ADDING MACHINE LIMITED, 136 REGENT STREET, LONDON, W.1

Burroughs

ALL ORDINARY LEGAL & GENERAL LIFE POLICIES

both participating and non-participating will in future

INCLUDE WAR RISKS WITHIN THE UNITED KINGDOM

in respect of civilian lives

The Society is also prepared to consider War Risks abroad, each proposal being considered on its merits.

Life Assurance is more necessary to-day than ever before—ask for full particulars now.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Chief Administration : 188 FLEET STREET, LONDON, E. C. 4

General Manager : *Vernon E. Boys*

Established 1836.

Assets exceed £50,000,000

Branches in all the principal Towns

METROPOLITAN COLLEGE

**SPECIALISED TRAINING
FOR THE PRELIM., INTER.
AND FINAL EXAMINATIONS
OF THE**

INSTITUTE AND SOCIETY
also for the

B.Com. (Lond.) Degree

At the External B.Com. (Lond.)
Examinations M.C. Students have
gained Scholarships to the value
of more than £3,000 including

**ALL THE
CASSEL SCHOLARSHIPS**
awarded to External Students
since 1935.

LL.B. (Lond.) Degree

At the External LL.B. Exams.
held during the last three years
M.C. Students gained

**21 HONOURS—MORE THAN
100 SUCCESSES and a
UNIVERSITY SCHOLARSHIP**

At the C.A. (England & Wales) and S.A.A. Examinations,
Students of the Metropolitan College gained:—

OVER 5,250 SUCCESSES 141 HONOURS

including 32 First, 22 Second and 35 Third and Fourth Places

IN THE LAST SIXTEEN YEARS

*A Copy of the College "Accountancy" or
"University" Prospectus may be obtained on
application to the Secretary (A3)*

REDUCED FEES
Temporarily available

METROPOLITAN COLLEGE, ST ALBANS

The Institute of Taxation

President : LEONARD ROSS, F.C.A., F.S.A.A., F.C.I.S.

Vice-President : VICTOR WALTON, F.C.A.

Secretary : E. ALWYN KNIGHT, F.C.I.S.



GENERAL SCOPE OF ACTIVITIES

The Institute comprises a body of professional men specialising in taxation, or having practical interests in the subject. Its activities cover the legal, technical, economic and practical aspects of the various classes of taxation, with special reference to the Income Tax, and other Revenue Duties.

Organised on professional lines, and adhering to recognised standards of conduct, the Institute is concerned in such matters as the dissemination of information on technical points connected with taxation, the standardisation and improvement of practice, and co-operation with the official, professional and industrial bodies concerned with matters arising from the incidence of taxation and the methods of raising the revenue of the nation.

Membership is open to applicants who have passed the examinations of the recognised professional bodies, while a series of examinations may be taken by those wishing to secure special evidence of their proficiency in the realm of taxation.

The Institute circulates numerous publications to its members and subscribers, including an up-to-date textbook (annually), monthly amendment slips, an annual Review, Annotated copies of all Finance Acts, half-yearly Digests of Tax Cases, and a monthly bulletin or circular on some important subject relating to taxation.

FULL PARTICULARS REGARDING MEMBERSHIP, EXAMINATIONS, OR SUBSCRIPTION TO THE INSTITUTE'S PUBLICATION SCHEME, CAN BE OBTAINED FROM

The Secretary, at
21 FITZROY SQUARE, LONDON, W.1

Society of Incorporated Accountants and Auditors

A.D. 1885

EXAMINATIONS

FINAL EXAMINATION, December 19th, 20th and 21st, 1940.

SUBJECTS :—Advanced Accounting, including Partnership and Executorship Accounts and Income Tax; Auditing, and the General Duties of Professional Accountants, including Income Tax; Cost Accounts; Statistical Methods; General Knowledge in regard to Commerce and Finance; the Law relating to Joint Stock Companies and Bankruptcy; Mercantile Law, including Partnership Law and the Law of Arbitration and Awards; the Powers and Duties of Liquidators, Trustees, Executors and Receivers; Economics.

INTERMEDIATE EXAMINATION, December 20th and 21st, 1940.

SUBJECTS :—Bookkeeping and Accounts, including Income Tax; General Commercial Knowledge; Cost Accounts; Bookkeeping and Accounts, including Partnership and Executorship Accounts and Income Tax; Commercial Law, the Powers and Duties of Liquidators, Trustees, Executors and Receivers.

PRELIMINARY EXAMINATION, December 19th and 20th, 1940.

SUBJECTS :—English, comprising (a) One Paper on General Knowledge, including Modern English History and Geography; (b) an Essay; (c) General Questions testing knowledge and command of English and English Literature. One Foreign Language, comprising a paper on French, German, Spanish, Latin or Irish. Mathematics, comprising Arithmetic, Algebra and Geometry.

Candidates may be exempted from the Preliminary Examination on production of Certificates of having passed the Examinations of certain approved bodies, a list of which can be had on application.

The Examinations will be held at the following centres :—

ENGLAND and WALES—Taunton School, Somerset, The Technical College, Southport. **SCOTLAND**—Glasgow. **IRELAND**—Dublin and Belfast. **SOUTH AFRICA**—Cape Town, Johannesburg and Durban.

THE FEES are

FINAL EXAMINATION, £3 3s.; **INTERMEDIATE EXAMINATION, £2 12s. 6d.**; **PRELIMINARY EXAMINATION, £2 2s.**

Candidates must make application to the Secretary for permission to present themselves, and remit the necessary Fee before October 14th, 1940, to Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

INCOME TAX DEDUCTION FROM WAGES

Relieve the new tax on the time and labour of the wages clerk by using and recommending to your clients

Davy Salaries & Wages Books

Our latest ruling provides extra columns for the deduction of Income Tax and National Savings Contributions.

Send for full details now!

CHAS. DAVY & CO. LTD.

5, 6 & 7 MONKWELL ST., LONDON, E.C.2

SHOWROOMS: 11 MABONS AVENUE & 3 MILK ST., E.C.2

Managing Director :
L. Rowlandson.

Telephone :
NATIONAL 2363 (3 lines)

Society of Incorporated Accountants and Auditors

APPOINTMENTS DEPARTMENT

The attention of Members of the Society is drawn to the SOCIETY'S APPOINTMENTS DEPARTMENT. Members requiring the services of an Incorporated Accountant, or who are interested in any vacancy for which an Incorporated Accountant may be suitable, are requested to notify the Secretary. The Secretary will be glad to furnish particulars of the qualifications and experience of Members not in practice who have registered their names with the Appointments Department.

No fees whatever are charged either in regard to vacancies which may be filled or to applicants

A MESSAGE TO *Leaders of Business and Finance*

THE OWNERSHIP OR CONTROL of money is at all times a grave responsibility. In this war it is a responsibility of deeper significance. It is the imperative duty of us all to place our available money at the disposal of the State in the form in which the Government needs it and at the time when it is required. To withhold it is to weaken the Country's financial fabric and thus to prolong the war. If you have money in your possession or within your control, release it. Lend it now by subscribing to National War Bonds. This is the form in which the country needs the help of its Leaders of Business and Finance—and needs it today.

2½% National War Bonds (1945-47)

A full Trustee Security—Price of issue £100 per cent—Subscriptions of £100 or multiples of £100 will be received until further notice—Interest accrues from date of purchase—Prospectus and application forms obtainable from Banks or Stockbrokers.

For
STRENGTH
STABILITY

HALIFAX

THE WORLD'S LARGEST
 BUILDING SOCIETY

GENERAL MANAGERS

DAVID W. SMITH, F.C.I.S. F. E. WARBRECK HOWELL, LL.D.

HEAD OFFICES - HALIFAX

London District Office

HALIFAX HOUSE, 51-55 STRAND, W.C.2

City Office—62 Moorgate, E.C.2

E. IRVINE HALLAS, A.C.A.
 55, TYRREL STREET, BRADFORD.
 INSTITUTE AND SOCIETY EXAMS.

Expert postal and oral tuition, based on 30 years' experience in preparing candidates for these Exams. Tuition adapted to meet precise personal needs of each candidate. Pains-taking criticism and marking of work, and prompt return of all papers is guaranteed. Moderate Fees. Books loaned. Prizes to all students taking Honours.

★ **FOYLES** ★

BOOKSELLERS TO THE WORLD

New and secondhand books on every subject.
 QUICK, EFFICIENT, POSTAL SERVICE

113-125 CHARING CROSS ROAD, LONDON, W.C.2
 Telephone GERRARD 5660 (16 lines)

MEETINGS

THE Council of the Society of Incorporated Accountants and Auditors is prepared to let the Great Hall and Committee Rooms at Incorporated Accountants' Hall for Meetings, Arbitrations, &c.

**OVER
 9,000
 SUCCESSES**

have been gained by
 School of Accountancy
 students in the English,
 Scottish and Irish Char-
 tered Accountants' and
 in the Incorporated Ac-
 countants' Examinations

LEADING PLACES AND PRIZES

During the past six years (to January 1940) students of The School have gained in the C.A. and S.A.A. Examinations —

CHARTERED ACCOUNTANTS

32 First Places
 20 Second Places
 21 Third Places
 21 Fourth Places
 2 Gold Medals

(Irish Institute)
 (The only Gold medals awarded)

13 Distinctions
 (Scottish Institute)
 (Out of 21 awarded)

3 "John Mann" Prizes

INCORPORATED ACCOUNTANTS

4 First Places
 5 Second Places
 3 Third Places
 2 Fourth Places
 1 Fifth Place
 2 Gold Medals
 6 Society Prizes

Complete information is contained in The School's Prospectus—FREE.

THE SCHOOL OF ACCOUNTANCY

As The School's London Premises have been requisitioned by the Government, all communications should be addressed to the Glasgow Office. Complete arrangements have been made to ensure the uninterrupted provision of The School's full Tutorial Service.

214 REGENT HOUSE, GLASGOW, C.2

WAR RISKS

—without extra charge

The Corporation now issues Life Policies for Civilians to include WAR RISKS in the United Kingdom and Eire WITHOUT EXTRA CHARGE. Particulars can be obtained at any of the Corporation's Offices throughout the Country and personal interviews arranged without obligation.



ROYAL EXCHANGE ASSURANCE

Incorporated A.D. 1720

Head Office: Royal Exchange, London, E.C.3

Telephone: MANsion House 9898

COMPANY FORMATION

Memorandum and Articles

PRINTED OR LITHO-TYPED

DRAFT No. 1—for Private Companies
settled by J. B. LINDON, M.A., LL.M. **3/6**

DRAFT No. 2—A concise form for
small companies **7d.**

COMPLETE COMPANY OUTFITS
including BOOKS & SEAL from **£5.10s.**

SEND FOR COMPANY BOOKLET

H. HOWES & CO. LTD.

7, BELL YARD, TEMPLE BAR, W.C.2. Holborn 3073
56, OLD BROAD STREET, E.C.2. London Wall 2237
27-28, OLD JEWRY, E.C.2. - Metropolitan 4879

Mail Order Dept.: 53-55, Mansell Street, London, E.1

The Legal Liability of Accountants

A booklet embodying
Reference to Leading Cases
A Précis of important claims
settled out of Court

Obtainable free of cost from

MUIR BEDDALL & CO., LTD.

SPECIALISTS IN INDEMNITY INSURANCE

37, GRACECHURCH STREET, LONDON, E.C.3

Telephone: MANsion House 3414 (12 lines)

Also at: 49 King Street, Manchester; 465 St. John Street, Montreal.

*The Analyses
of
Industrial
Companies'
Accounts*

which appear regularly in

The Statist

*are the most critical and
informative published.*

SIXPENCE WEEKLY
at all Bookstalls

SUBSCRIPTION RATES

	Inland.	Abroad.
12 Months - -	£1 12s. 0d.	£1 17s. 4d.
6 Months - -	16s. 0d.	18s. 8d.

Post free, including all Special Numbers

THE STATIST COMPANY LIMITED,
51, Cannon, Street, London, E.C.4.

Important to Accountants

IMMEDIATE Security for
TRUSTEES IN BANKRUPTCY.

RECEIVERSHIPS

and

CONTROLLERSHIPS

is granted by the

BRITISH LAW
INSURANCE COMPANY LTD.

Whose Fidelity Bonds are accepted by
all Departments of H.M. Government

Head Office:

31 & 32, KING ST., CHEAPSIDE, LONDON, E.C. 2

Telephone—METROPOLITAN 9851 (5 lines).

Telegrams—"BRITLAW, CENT, LONDON"

Quotations for other classes of Insurance
promptly submitted upon application.

**THE
INCORPORATED STUDENTS' TELEPHONE**

for the

AUGUST 1940 EXAMINATIONS

to be published on or about the

The
61st
Issue

6th SEPTEMBER, 1940

contains

the **QUESTIONS** set

at the Intermediate and Final Examinations of the
Society of Incorporated Accountants and Auditors

with **ANSWERS** by

the Directors and Tutors of

ORDER NOW

H. FOULKS LYNCH & Co.

THE ACCOUNTANCY TUTORS

16, COLEMAN STREET, LONDON, E.C.2.

Price
2/6
By Post 2/8

ORDER NOW



THE CENTRE OF THE WORLD OF FINANCE

The Financial Times

ESTABLISHED 1888.

*Largest circulation of any Financial Journal
in the Empire.*

Recognised for half a century as the leading daily
newspaper of finance, industry and commerce.

Head Office : 72, Coleman Street, London, E.C.2

Telephone : METropolitan 3304 (10 lines)

5,000 MEDALS and PRIZES

have been secured at recent Public Examinations
by Candidates who have used

THE STUDENT'S COMPLETE COMMERCIAL BOOK-KEEPING, 1,000 PAGES ACCOUNTING AND BANKING

By ARTHUR FIELDHOUSE, ACCOUNTANT,
66, Trinity Street, Huddersfield, Yorks.
who will forward copy Index, containing 2,000 References,
on receipt of post card to Trinity Street, Huddersfield.

NEW EDITION—FIFTIETH ! ! !

1,000 pp. 400 EXERCISES. KEY ready.
Price 7/6. Post Free 8/-. 1,200,000 Copies Sold.

It is the only RELIABLE, COMPLETE and UP-TO-DATE GUIDE
to all EXAMINATIONS, and includes 1939 EXAM. PAPERS

"THE SECRETARY," the organ of the Chartered Institute
of Secretaries, says:—"This book is as good in its way as
Gore-Browne's 'Handbook on Joint Stock Companies Law,'
or Palmer's 'Shareholders' and Directors' Legal Companion';
its editions are exhausted as rapidly, at the rate of one per
annum, and it is equally practical. We are not aware of
any publication, issued at the same price, which covers the
same ground as completely, or in which the difficult art of
condensation without confusion is so well displayed."

PUBLISHED BY

ARTHUR FIELDHOUSE, Huddersfield; or SIMPKINS, London.
Of all Booksellers and GEE & CO., 6 Kirby Street, E.C.1

The Institute of Arbitrators

OFFICES :

10, Norfolk Street, London, W.C.2

The main object of the Institute is to
promote the cause of Arbitration and to
encourage and facilitate the practice of
settlement of disputes by this means.

By holding Practice Arbitrations and
other meetings it affords facilities for the
education and training of Arbitrators.

The Panels enable the selection of eminently
suitable Arbitrators with a knowledge of
the subject matter under dispute.

The next Examination will be held on
14th and 15th November.

Full particulars may be obtained from the
Secretary, 10, Norfolk Street, London, W.C.2.

3rd EDITION.

SEPTEMBER, 1939

TABLES OF PROCEDURE

Compiled by
BERTRAM NELSON, F.S.A.A.,
with a Section on
EXECUTORSHIP by J. F. H. TEMPLER, LL.B.

The third edition has been enlarged and now includes ten sections:—I. COMPANY FORMATION; II. ALTERATIONS OF CAPITAL; III. COMPANY RECONSTRUCTIONS; IV. VOLUNTARY WINDING-UP; V. WINDING-UP BY THE COURT; VI. RECEIVERSHIPS; VII. BANKRUPTCY; VIII. DEEDS OF ARRANGEMENT; IX. EXECUTORSHIP; X. INVESTIGATIONS.

2/6 net, postage 3d. extra

**THE SOLICITORS'
LAW STATIONERY SOCIETY, LTD.**
22, CHANCERY LANE, London, W.C.2
and Branches.



COURT BONDS

on behalf of

TRUSTEES IN BANKRUPTCY
and under DEEDS OF ARRANGEMENT,
LIQUIDATORS and SPECIAL MANAGERS,
RECEIVERS IN CHANCERY, KING'S BENCH and
MANAGEMENT and ADMINISTRATION DEPARTMENT,
ADMINISTRATORS,

COMMERCIAL FIDELITY GUARANTEES,
CUSTOMS and EXCISE BONDS,

SPECIAL INDEMNITIES in connection with
MISSING BENEFICIARIES,
LOST DOCUMENTS, and DEFECTS IN TITLE,

Apply to the

PHOENIX

Assurance Company, Limited.

Head Office:
PHOENIX HOUSE, KING WILLIAM ST., LONDON, E.C.4

SWEET & MAXWELL, LTD.

(OFFICIAL BOOKSELLERS TO THE SOCIETY)

Keep in Stock Books for all Accountancy Examinations

CATALOGUE "M" free on application

JUST PUBLISHED. 10s. 6d. net; postage 7d.

EFFECT OF WAR ON CONTRACTS

by P. H. THOROLD ROGERS,
B.A., B.C.L.,

Barrister-at-Law

This work deals practically and concisely with the decisions and statute law affecting contracts in war time.

Mr. Rogers deals first with the incidental effects of war and herein of interference by the Crown with contractual and property rights, contracts of employment (including military service), loss or damage to property, illegality and frustration.

The second part of the book contains the law relating to trading with the enemy.

JUST PUBLISHED. 11s. net. POST FREE

INCOME TAX LAW and PRACTICE

TWELFTH EDITION

with a supplement dealing with the

Finance (No.2) Act, 1939 and the
Finance Acts, 1940

by C. A. NEWPORT, F.C.R.A.

THE BOOK WITH THE LARGEST
SALE

3, CHANCERY LANE, W.C.2

REGISTERED

ACCOUNTANTS' and AUDITORS' DIARY

for **1941**

(COPYRIGHT)

Published in the following Editions :

						Post free in U.K. (including Purchase Tax)
KB	Two days to a page,	Stiff Boards	-	-	-	7/-
KC	" " "	Brown Cloth	-	-	-	10/-
LB	" " "	Interleaved with Blotting, Stiff Boards				9/-
LC	" " "	Interleaved with Blotting, Brown Cloth				11/-
MB	One day to a page,	Stiff Boards	-	-	-	11/-
MC	" " "	Brown Cloth	-	-	-	13/-
NB	" " "	Interleaved with Blotting, Stiff Boards				12/-
NC	" " "	Interleaved with Blotting, Brown Cloth				15/-

**ALL Editions are Foolscap Folio and
contain full and complete Editorial Matter.**

THE Diary part contains columns for "Time of Appointment," "Name of Client or Estate," "How Occupied," "Posting Folio" and "Number of Hours," thus forming a most valuable Record for Principals and Clerks; also a useful and complete **Monthly Summary of Time**, embracing "Name of Client or Estate," column for each Month, and also columns for "Folio," "Total Hours," "Number of Days," "Rate per Day" and "Charges."

*The Cloth Editions contain an additional four sheets of the
"Time Summary."*

Edited by an Eminent City of London Accountant

Contains Valuable and Complete Information for the above Professions.

The provisions of the Finance Act 1939, relating to Income Tax, Sur Tax, National Defence Contribution, and Settlements, together with the provisions as to Personal and Life Assurance Allowances, etc., are dealt with in all Editions.

Information is also given as to relief from Double Taxation, Sales, and Purchases *cum dividend*, and other matters.

C To avoid the trouble and expense of Book-keeping and rendering Accounts, Postal Orders or Cheque with Order will much oblige. The same will be acknowledged per return.

T. WHITTINGHAM & CO., LTD.

Accountants' Stationers & Printers,

Registered Office : 50, SOUTHWARK BRIDGE ROAD, S.E.1



16TH EDITION DICKSEE'S AUDITING

Edited by **STANLEY W. ROWLAND**
LL.B., F.C.A.

A Classic work of reference for the practitioner in an improved form

A necessary and authoritative Text-Book for the student

25/- net

This book should be in the hands of every practitioner and student

GEE & CO (PUBLISHERS) LIMITED
6 KIRBY ST HATTON GARDEN LONDON ECI

"Dicksee's Auditing" has now held an unchallenged position of pre-eminence for over forty-five years. In this new edition the Editor has subjected the whole work to the most careful revision. Out-of-date references have been eliminated, all decisions and statutes have been brought down to date, and the work represents a modern and practical view of auditing law and practice. Care has been taken to preserve the authoritative character of the work, while reflecting the latest expression of sound professional opinion. The full reports of decisions, so well known a feature of the book, have been preserved and added to, but an improved scheme of type renders reference to important dicta easy and certain.

25/9 POST FREE U.K. 26/9 POST FREE ABROAD

Now ready PALMER'S EXAMINATION NOTE BOOK

By **Alfred Palmer, A.S.A., F.C.C.S.**
Incorporated Accountant, First Honoursman Intermediate and Final Examinations and Gold Medallist Chief Director of Studies, The School of Accountancy, London and Glasgow

● Mr. Palmer's Examination *vade mecum* will prove an indispensable boon to examinees. By every expedient of condensation and the elimination of every unnecessary word, this book contains the vital essentials an examinee must know. Every resource of modern typography has been used to help the examinee to visualise, assimilate and memorise.

● Twenty years' successful educational experience has been crystallised in this book.

● 200 pages of vital facts.

● Interleaved throughout with blank pages for students own notes (400 pages in all).

● Every reference instantly found. Fully indexed and cross-indexed.

Invaluable

for reference—for using odd moments profitably—as a time-saver—during revision

SUMMARY OF CONTENTS

Arbitration and Awards; Auditing; Banking and Exchange; Bankruptcy Law; Book-keeping and Accounts; Company Law; Costing; Deeds of Arrangement; Economics; Executorship Law and Accounts; Mercantile Law; Partnership Law and Accounts; Procedure at Meetings; Rights and Duties of Liquidators; Rights and Duties of Trustees; Receivers; Secretarial Practice; Statistical Methods.

For Accountancy and Secretarial Students

PRICE **8/6** NET. 9/1 post free U.K. 9/5 post free abroad

GEE & CO (PUBLISHERS) LIMITED
6 KIRBY ST HATTON GARDEN LONDON ECI

NOW ON SALE

EXCESS PROFITS TAX NATIONAL DEFENCE CONTRIBUTION

Drastic changes in the law and practice explained in

"TAXATION"

KEY TO WAR TAXES

All the new provisions of the
FINANCE ACTS, 1940

Price **4s. 6d. Net**
4s. 9d. Post Free

PUBLISHED BY TAXATION PUBLISHING COMPANY LIMITED AND JORDAN & SONS, LIMITED
ORDER FORM

TAXATION PUBLISHING COMPANY LTD., TAXATION HOUSE, GUILDFORD, SURREY
Head Office: First Avenue House, London, W.C.1

Please send, post free.....copies of
"TAXATION" KEY TO WAR TAXES. Remittance
£ : : is enclosed.

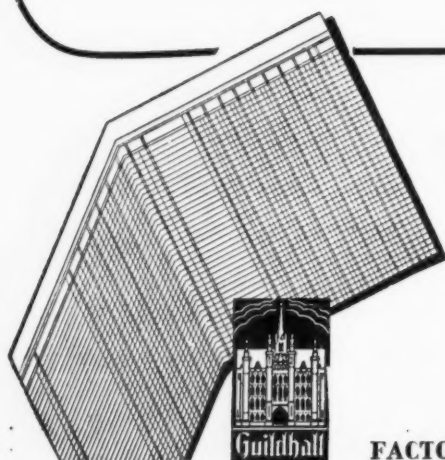
By. DATE.....1940

Name.....
Address.....

A nous la Liberté

We have made our stake . . . banked our all . . . and now turns the wheel. We have chosen well. For us, liberty. To gain this crown of life, we lose it! We cannot hold our stake and play it at the same time. We hold ourselves in suspense, but not in doubt or fear. We know not when the wheel will stop, but we have clear vision of what will turn up—the game will be to us.

★ Meanwhile, at The "Ruling" House, we strive to overcome the difficulties brought about by inevitable restrictions of war-time, and to render the fullest services possible to the circle of Accountants who rely upon us—almost as wide as the profession itself.



TOLLIT & HARVEY LTD.

THE "RULING" HOUSE

3 London Addresses :

City : 40 Gresham St., E.C.2.

Strand : Bush House, W.C.2.

Westminster : 18 Victoria St., S.W.1

FACTORY AND WAREHOUSE : 44/48 SOUTHWARK BRIDGE RD., S.E.1

...
w
ve
ty.
we
ur
ne
in
or
he
ve
rn
us.

we
ght
me,
e to
a us
self.

D.
SE

V.1
E.1